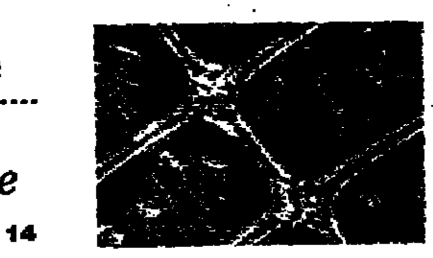
FINANCIAL TIMES

Coca-Cola
At last things go better in China
Page 21

Insurance
A premium on relevance
Peter Martin, Page 14



Gold
The market fears Emu-related sales
Page 26

Today's surveys
Australia
Isle of Man
Separate sections

World Business Newspaper http://www.FT.com THURSDAY NOVEMBER 14 1996

France disposes of Elf Aquitaine stake for $2bn

The French state yesterday sold the bulk of its remaining 9.85 per cent stake in the country's oil, chemicals and drugs group, Elf Aquitaine, for more than FFr10bn ($2bn). About half the shares were placed in the market with institutional investors in France and overseas, while a 4.5 per cent interest was acquired by a subsidiary of the company itself. Elf chairman Philippe Jaffré said the acquisition removed "the uncertainty surrounding the French state's interest in the company which has weighed down the share price". Page 17

US to join Zaire mission: The US is to join a multinational force to intervene in Zaire, where more than 1m refugees have been cut off from all aid by the conflict between Zairean troops and Tutsi rebels. Page 6

French carmakers plan job cuts: France's two main carmakers, Peugeot Citroën and Renault, are talking to the government about cutting thousands of jobs and reducing the average age of staff through early retirement and other measures. Page 16; Car sales leap, Page 3

Westinghouse eyes cable TV business: Westinghouse Electric, which announced plans to spin off its remaining industrial businesses to leave it a pure media group, said it was seeking to become a force in the US cable television business. Page 17; Lex, Page 16

US-EU telecoms talks: In an agreed move, the US and the European Union tabled improved offers in World Trade Organisation talks on liberalising telecoms services. Page 7

Algerians slaughtered: A gang of up to 25 men killed 12 Algerians, including women and children, in a raid on a village south of Algiers. The killings occurred near the scene a week ago of one of the most bloody attacks on a village attributed to Moslem fundamentalists.

US election funding inquiry rejected: The US Justice Department rejected a request to appoint a special prosecutor to investigate Democratic party fundraising, after allegations that the Clinton administration dispensed political favours to foreigners in exchange for campaign contributions. Page 5

15 killed in Peru earthquake: At least 40 gold miners were trapped underground after a powerful earthquake struck Peru's southern coast, killing 15 people.

Saatchi chief heads for New York: Marketing services company Cordiant is moving the head of its Saatchi & Saatchi operation in London, Jennifer Laing, to become chief of Saatchi's unit in New York. Page 17

Motorola, the US semiconductor and telecommunications company, has acquired Toshiba's 49.95 per cent stake in Nippon Motorola Microelectronics. The semiconductor distribution joint venture was established by the two companies in Japan seven years ago. Page 21

Yeltsin's heart pain 'gone': The pain around Boris Yeltsin's heart, which had troubled the Russian president before his quintuple bypass operation on November 5, is now "completely gone", the Kremlin said.

Athens exchange re-opens: The Athens stock exchange reopened after a three-day gap but only about 30 of Greece's 65 brokerage companies were permitted to trade while the bourse's watchdog seeks to clean up trading practices. Page 4

BASF, the German chemicals group, reported a 9 per cent rise in pre-tax profits for the first nine months to DM3.37bn ($2.24bn). Page 19

S Korean minister quits over scandal: South Korea's health minister Lee Sung-ho resigned because of his wife's involvement in a bribery scandal. Page 8

Degas sculpture fetches record price: A bronze cast by Edgar Degas, "Petite Danseuse de Quatorze Ans", sold for $11.8m at Sotheby's in New York, a record price for a Degas sculpture at auction. Page 5

Mobile phones study launched: The world's widest investigation into the possibly harmful effects of mobile phones has begun in Norway and Sweden. About 17,000 will take part in the study after some users complained of headaches, dizziness, drowsiness and nausea. Observer, Page 17

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6,260.45	(-5.59)
NASDAQ Composite	1,260.67	(+4.14)
Europe and Far East		
CAC40	2,217.19	(-11.94)
DAX	2,773.43	(+39.13)
FTSE 100	3,928.9	(-7.4)
Nikkei	20,979.44	(-226.99)

US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.155%
Long Bond	100⅝
Yield	6.472%

OTHER RATES

UK: 3-mo Interbank	6⅝%	(same)
UK: 10 yr Gilt	98⅝	(99⅞)
France: 10 yr OAT	104.62	(104.66)
Germany: 10 yr Bund	102.69	(102.72)
Japan: 10 yr JGB	102.5692	(102.089)

NORTH SEA OIL (Argus)

Brent Dated	$22.875	(22.375)

GOLD

New York: Comex		
(Dec)	$384.2	(383.4)
London:		
close	$383.85	(381.70)

DOLLAR

New York lunchtime		
£	1.6593	
DM	1.50495	
FFr	5.0870	
SFr	1.268	
Y	111.285	
London:		
£	1.6532	(1.6467)
DM	1.5068	(1.4991)
FFr	5.0940	(5.0717)
SFr	1.2692	(1.2605)
Y	111.62	(111.335)
Tokyo close:	Y 111.70	

STERLING

DM	2.4910	(2.4686)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 16.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr350	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira125	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3300	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 5.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils750	Portugal (m'land)	Esc255	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3500			UAE	Dh13.00

Hidden copper cache suspected

Rotterdam stockpile could be up to 500,000 tonnes

By Kenneth Gooding in London

Evidence has emerged of a large copper stockpile "somewhere in Rotterdam", which is not reported in official stock figures.

According to a study of copper flows to and from the Netherlands, carried out in 1990-95 by the World Bureau of Metal Statistics, the stockpile may be as much as 500,000 tonnes. This is equivalent to 4 per cent of annual copper consumption and four times the level of London Metal Exchange stocks.

There was speculation in the market yesterday that the stock might have been built up by Mr Yasuo Hamanaka, the copper trader that Sumitomo claims cost it $2.6bn by unauthorised trading. Mr Hamanaka was known to keep a very close watch on physical movements of copper.

Lex ......Page 16
Commodities ......Page 26

Some analysts said that the stock might be stolen Russian material.

The stockpile could help explain why copper's price on the LME has remained stable – in spite of the fact that exchange stocks have fallen 60 per cent to a six-year low since September. "Those big players in the copper market who count the boats in and out of Rotterdam obviously know what the true stock position is," said one analyst.

The world bureau is a UK-based organisation on which metals analysts depend for raw statistics. Its study provides the first hard evidence to support speculation that there are substantial hidden stocks of copper in Europe.

The bureau is cautious about the size of the stockpile. Mr Lloyd Davis, its general manager, said it could be "that we are staring into another statistical black hole, of a type which we have become increasingly familiar" since European Union countries stopped producing individual trade figures. Nevertheless, "we believe that this analysis points to potentially significant stocks of refined copper in the Netherlands not previously reported by the bureau".

Mr Peter Hollands, of the copper consultancy Bloomsbury Minerals Economics, suggested statistical error probably accounted for some of the 500,000 tonnes. This was too much physical copper to be "hidden" because the metal had to be carefully stored in warehouses; it could not be left outside. Nevertheless, it was reasonable to assume that up to 200,000 tonnes of "hidden" stock exists in Europe.

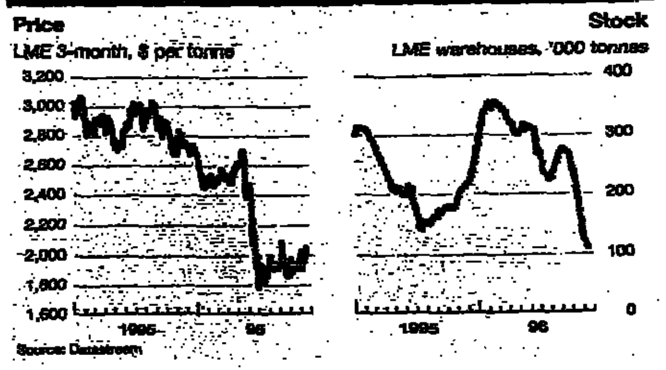
"It makes no commercial sense for a stockpile to be built up late in one bear market, then held throughout a whole bull market and still not disposed of at the start of the present bear market. No sense in terms of legitimate business, anyway," he said.

"But the 1990s are turning out to be a decade of rogue traders. There have also been periods of particularly chaotic trading conditions in the former Soviet Union; so perhaps it does make sense."

The bureau is asking its members and other market participants for comments.

However, the bureau is confident its research has uncovered the mysterious origin of copper taken into the Chinese strategic reserve in 1993. It says the pattern of deliveries seems to confirm the suspicion that China was the destination of a large volume of refined copper leaving the Netherlands in 1993, "despite there being no overall change in LME stocks in Rotterdam over the year".

Copper prices defy stock figures



Source: Datastream

Air traffic controllers put blame on Kazakh flight crew

Language error 'was cause of Indian air disaster'

By Mark Nicholson in New Delhi

The likeliest cause of Tuesday's mid-air collision between two aircraft near Delhi was a misunderstanding by one of the flight crews of English air traffic control orders, Indian officials suggested yesterday..

There are no survivors of the disaster – the world's worst mid-air crash – in which 351 people are believed to have died. It involved a Saudia Boeing 747 and a Kazakh Ilyushin Il-76.

Indian air traffic controllers and airport officials said misunderstandings of English, the international language of air traffic control, by crews from Kazakh and other airlines from some former Soviet Union countries, had contributed to several near misses in Delhi airspace in recent years.

One controller on duty when the crash happened said: "Generally these people have problems understanding English."

The officials said they had repeatedly complained about the problem to India's airports authority and civil aviation ministry, identifying airlines from the former Soviet states of Kazakhstan, Uzbekistan and Khirgistan as the chief culprits. "We have been making complaints about this time and again, and nothing has been done," said one.

In Kazakhstan, a senior official at Air Kazakhstan admitted that the poor language skills of many of Kazakh pilots had caused problems. Few flew abroad when the Soviet Union existed, as most international flights departed from Moscow.

Indian officials also said near-misses outside Delhi had been caused by aircraft from former Soviet countries – now in the Commonwealth of Independent States – calibrating their altimeters in metric rather than the more widely-used imperial measure. "We give them the height in feet and they convert this to metres; this has caused problems," one said.

The Kazakh Ilyushin Il-76 collided with the Saudia 747 some 25 miles from Delhi after air traffic controllers at the Indira Gandhi International airport ordered the departing

Continued on Page 16

Firemen spray wreckage of the Saudi 747 near the town of Charkhi Dadri, India, yesterday AP

Strong backing for French and US heart drug

By Daniel Green in New Orleans

A study of 19,000 patients, one of the largest organised for a new medicine, has produced positive findings for a heart drug due to be launched in 1998 by Bristol-Myers Squibb of the US and France's Sanofi.

The independent US study showed that victims of a heart attack or stroke who took the drug, clopidogrel, had their risk of a second attack cut by about 34 per cent. This compares with 25 per cent for those who took aspirin, the current standard treatment.

The trial results were announced yesterday during the American Heart Association meeting in New Orleans.

More than 100,000 second heart attacks or strokes could be prevented each year in the US alone if all patients at risk took clopidogrel, the study suggests.

Heart disease drugs are the pharmaceuticals industry's biggest sellers, with sales of $12.4bn in the world's top 10 markets in the first six months of this year.

The launch of the drug depends on regulatory approval.

Bristol-Myers Squibb and Sanofi said no price had yet been set for it. However, a Sanofi executive said it was likely to be many times the price of aspirin, which costs only a few cents a day.

"The only thing that would hold me back from prescribing this drug is its cost," said Professor Donald Easton of Brown University.

The two companies paid for the trial, which was conducted by independent doctors and scientists. The results were good enough for them to decide to submit the drug to regulators in Europe and the US in the first half of next year. The regulators are likely to take about a year to consider their verdicts.

Sanofi shares were tempo-

Continued on Page 16

UK utility agrees to $2bn takeover by US group

By Jane Martinson in London

East Midlands Electricity of the UK has agreed to a £1.3bn ($2.1bn) takeover by Dominion Resources of the US. The 670p a share cash offer came a week after the Virginia-based group said it did not want to pay "much in excess" of 608p.

Agreement is understood to have been reached in principle in less than two hours on Tuesday night. However, there remains uncertainty whether the deal will be referred to the UK's Monopolies and Mergers Commission. This was reflected in the East Midlands share price yesterday, which rose 11½p to 622½p, a significant discount to the offer.

If the Dominion deal and CalEnergy's bid for Northern Electric go ahead, there will be five US utilities controlling regional electricity companies in England and Wales – and just three independent companies remaining from the 12 at privatisation. The reduction, and the closeness to the next general election, has increased expectations of a reference.

But after a preliminary discussion with Professor Stephen Littlechild, the industry regulator in Britain, East Midlands and Dominion said they saw no reason for a referral.

Mr Norman Askew, chief executive of East Midlands, said the takeover was "not groundbreaking". He added: "If it was referred, it would be so overtly political it could do more damage and be more difficult to explain."

However, Unison, the British public sector trade union, called for a reference, saying the two current bids would "further undermine our regulatory system".

The opposition Labour party contented itself with a warning that the utilities should "not move beyond the reach of the regulator". Mr John Battle, shadow energy minister, said the party was not opposed to overseas takeovers and would look at making the reports the companies have to supply to the regulator available to the public. In previous takeovers by US utilities, licence agreements have been reached to allow the regulator to see ringfenced accounts, enabling him to compare performances in the sector.

Mr Thomas Capps, chairman, president and chief executive of Dominion Resources, saw no need for the bid to be referred. There were "plenty of data out there for the regulator to see". Mr Capps will meet Prof Littlechild soon to discuss how to ensure transparency.

The price of 670p a share represented a 25 per cent premium to East Midlands' closing price the day before bid speculation prompted Dominion's statement a week ago.

Mr Capps said the comment about 608p a share – which would have valued East Midlands at £1.2bn – had been released before the group's board confirmed its intentions.

Lex, Page 16
Trying to switch off, Page 23

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Commission rejects cut in tobacco aid

Hopes for drive against smoking lose out to plea for continued subsidy to small farmers

By Caroline Southey in Brussels

The embarrassing contradiction between two key EU policies – subsidising farmers to grow tobacco while funding anti-smoking campaigns – yesterday sparked a row between European commissioners.

Most commissioners rejected calls from Mr Padraig Flynn, commissioner for social policy, for a cut in aid to tobacco farmers. Mr Flynn had hoped to win clear backing for an end to tobacco subsidies before he launched a fresh drive against smoking at the end of the month.

The EU spends Ecu15m ($19m) a year on anti-smoking measures, mainly on campaigns highlighting the health dangers. Last year it paid Ecu1bn in tobacco production subsidies.

The EU's 135,000 tobacco growers produced 333,000 tonnes of tobacco in 1994, 5 per cent of world production. Eight EU countries produce tobacco – Italy accounted for 40 per cent last year, Greece 36 per cent, Spain 13 per cent and France 8 per cent.

Mr Flynn told his fellow commissioners EU critics pointed to the "huge mismatch in resources between the two objectives as evidence that the interests of tobacco producers take priority over public health considerations". The "alleged contradictions" were a "safe, reliable and newsworthy means of attacking its policies in other areas".

Mr Flynn said that the subsidy was five times the market value of the crop.

But most commissioners backed Mr Franz Fischler, European commissioner for agriculture, who argued there was no link between subsiding growers and reducing consumption.

He said cutting EU production would simply lead to an increase in imports. Mr Fischler warned cutting the aid would drive small farmers off the land and create unemployment. The subsidies support 135,000 producers and 170,000 full-time labourers.

"Tobacco is a major source of employment, particularly in Greece. Without tobacco, practically all the farms that grow the crop would no longer be viable," said a report prepared by the Commission's farm experts and presented to yesterday's meeting.

Mr Fischler rejected Mr Flynn's proposal that producers should switch to alternative crops, pointing out that the average tobacco farm was 1.1 hectare and that no other product would provide a reasonable income on that size farm.

■ The European Commission yesterday launched an Ecu50m joint research programme into the transmission of "mad cow" disease to humans, including research into tests for and treatment of the disease, and the risk of so-called spongiform encephalopathies crossing species barriers.

Turks shrug at new political scandal

By John Barham in Ankara

Turks hold their elected representatives in such low esteem that proof of close links between the police, organised crime and the government has caused barely more than a ripple of indignation.

The death in a car crash nearly two weeks ago of a wanted gangster, his girlfriend and a senior police officer merely confirmed widespread belief that the underworld and the police are sometimes on the best of terms. The crash also severely injured a fourth passenger, a government MP in the True Path party and Kurdish chieftain who is now said to be suffering from amnesia.

A unanimous vote by MPs on Tuesday night to set up a parliamentary investigation into the affair and plans for a censure debate today have aroused little interest outside parliament. Previous corruption investigations, including three started against Mrs Tansu Çiller, foreign minister, deputy prime minister and True Path leader, last spring have petered out without uncovering anything more serious than some unethical technical slips.

The new investigation into "mafia, state and police relations" is likely to suffer the same fate, though nobody opposed its formation, not even Mr Mehmet Ağar, the interior minister forced to resign after the accident. One observer said: "Of course True Path supported the investigation. Imagine what people would have thought if they opposed it!"

Over the past three years, the press has raked up scandals implicating Mrs Çiller (who was prime minister from 1993 until the beginning of this year) and her husband Ozer in shady real estate dealings, failed banks and suspect privatisations.

Çiller and Erbakan: both their parties have been tarnished by the latest claims *Reuter*

None of the allegations has been proved in court, but the mud has stuck. Mrs Çiller and her senior True Path associates are widely considered to have enriched themselves while in power.

Turkish media have claimed Mr Ağar, a tough former police chief brought into the party by Mrs Çiller last year, was at a beach resort with the four the weekend before the accident.

Censure debates have also degenerated into a circus, called by the opposition over relatively trivial issues with scant hope of success.

The government easily defeated the last censure motion in October, called by opposition parties who wanted to attack it for submitting to the public insults hurled at Turkey by Col Muammer Gaddafi, the Libyan leader, during an official visit to Tripoli by Mr Necmettin Erbakan, Turkey's Islamist prime minister.

Today's motion is on a more serious issue, but it has equally little chance of bringing down the government. Mr Erbakan's Refah party and the True Path, its junior coalition partner, have 279 MPs in the 550-member parliament.

The affair has tarnished Refah, which built its strength by attacking the corrupt secular establishment, nearly as much as True Path.

Mr Erbakan took power in July in a deal with Mrs Çiller that involved calling off corruption probes he had unleashed against her in March.

The Islamists are now writhing with discomfort over Mrs Çiller's latest scandal. Mr Erbakan has said as little as possible about it and did not vote on Tuesday. But the party is highly disciplined and unlikely to scrap the alliance now.

Mrs Çiller, true to form, has gone on the offensive. Rounding on her enemies, she is accusing them of being the "pawns" of unnamed powerful monopolistic corporations she claims are trying to destabilise a government committed to human rights, democracy and law and order.

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Counting cost of business in E Europe

Starting up business in Warsaw? Expect a three-month wait for a phone. Expanding into Russia? Moscow's rents are five times higher than London's. Need a bilingual secretary in Belgrade? Be ready to pay six times what you would in Prague.

The newly published DHL Price of Business Index shows that after taking 10 key costs into account for 15 east European capitals, Moscow is almost three times as expensive as London, followed by Tirana, Ljubljana, Budapest and Kiev, Reuter reports.

Chisinau and Bratislava were cheapest, while Skopje, Zagreb, Belgrade, Minsk, Bucharest, Warsaw, Sofia and Prague were in between.

After Moscow, Sofia has the most expensive accommodation for a night in a five star hotel. Zagreb, Bucharest and Bratislava offer the cheapest office space, but if you need a phone line, expect to wait 90 days in Warsaw, but only a week in Kiev.

And after a hard day's work it is 10 times cheaper to relax in Albania than in Bulgaria, where a single malt whisky costs $15, compared with $1.50 in Tirana.

EUROPEAN NEWS DIGEST

Nordic drink limits targeted

The European Commission proposed yesterday that Denmark, Finland and Sweden phase out by June 30, 2002 their restrictions on alcohol and tobacco products that travellers can bring home from abroad.

"I am ready to take account of the difficulties of the Nordic countries by giving them a transition period to adopt their social and health protection policies," said Mr Mario Monti, internal market commissioner. However, the quotas had to end because they violated a fundamental principle of the single market – the right of citizens to carry goods for their personal use freely across borders within the EU. The Commission also wants the three countries to reduce immediately the minimum period that travellers must be away to qualify for tax exemptions on alcohol and tobacco.

The Nordic states have traditionally applied high taxes on alcohol and tobacco to discourage consumption and raise revenue. Sweden is refusing to accept any deadline for ending the restrictions and is threatening to take the Commission to the European Court. The final decision will be made by EU ministers. *Reuter, Brussels*

Russian taxes flood in

The Russian government's crackdown on tax evaders last month produced a sharp increase in tax collection, officials said yesterday. According to Mr Peter Mostovoy, head of the Federal Bankruptcy Commission, which has played a central role in the tax drive, the government collected more than 100 per cent of planned tax revenues. In September, the figure was less than half.

The Kremlin has threatened to force into bankruptcy enterprises which do not pay their taxes. Last month, the government targeted four companies in high-profile test cases. Three of them, and a large steel mill added later to the list, now face formal bankruptcy proceedings.

Mr Mostovoy yesterday unveiled a list of 16 more companies which have been warned formally. None of Russia's widely traded, blue chip companies appears on the list, which is dominated by regional energy, metal and metallurgical enterprises. *Chrystia Freeland, Moscow.*

Challenge to Bulgarian PM

Mr George Pirinski, Bulgaria's US-born foreign minister, yesterday resigned from the Socialist government and established himself as main challenger to Mr Zhan Videnov, the prime minister, who narrowly won a party confidence vote on Tuesday.

Mr Pirinski, widely regarded as the protégé of Mr Andrei Lukanov, the last Communist-era prime minister, who was assassinated by an unknown gunman two months ago, has now emerged as head of the social democratic faction within the party. He is expected to try to unseat Mr Videnov at the special party congress due to start on December 21.

Mr Videnov, who combines being head of government with leading the party, is accused by opposition parties and reformists in the Socialist party of having resurrected Communist-type party-state structures and of running a secretive, bureaucratic style of government which has failed to tackle a deepening economic and social crisis.

The United Democratic Opposition, whose candidate, Mr Petar Stoyanov, comfortably beat the Socialist nominee in the presidential election on November 3, is calling for early elections. *Anthony Robinson, London*

NEWS: EUROPE

UBS instructs staff on Nazi gold claim

By Norma Cohen in London

Union Bank of Switzerland, the country's largest bank, has sent a memorandum to its non-Swiss employees on how they should respond to public concern over allegations about Swiss banks' links with Nazi Germany.

Among the allegations the bank denies is that it held Hitler's bank accounts.

The memo, sent in mid-October, "should give you the necessary background for discussions with clients, other employees, and your friends and relatives", it says.

Swiss banks have been stunned by international outrage over claims that they knowingly accepted gold robbed from Holocaust victims and that they failed to return bank deposits to the heirs of those murdered by Nazis.

The memo expresses support for recent Swiss government and international inquiries into whether Swiss banks still hold assets which are the rightful property of Nazi victims. It insists that the latest accusations are completely unfounded but adds: "We are not willing to accept the unfounded accusations without a reaction... A large PR campaign is, however, not appropriate. We are aware that the discussions and accusations have a negative impact on our image."

The memo says UBS and other Swiss banks have already conducted exhaustive internal searches for dormant accounts opened by Nazi victims or people acting for them. "It is highly unlikely that any sums owed to victims' heirs will be discovered as a result of new searches."

The memo quotes selectively from a 16-page 1985 document prepared by the archivist for the Swiss National Bank.

UBS in Zurich said the purpose of the memo was to set the debate in its historical context and "to explain to our employees abroad who have no knowledge of Swiss history". The memo "is our view of the historical view of what happened and the view of those who don't necessarily believe what is coming out of various archives".

The document describes an allegation that it held an account for Hitler as "a rumour of a possibility" which it says was dispelled by a US government "investigation" in 1944 and 1945. However, new archival papers show the investigation consisted of repeated requests by the then US consul general in Basle to UBS asking it whether it held the accounts, and repeated firm denials from UBS.

The memo says commercial banks such as UBS "had no connection whatsoever" with gold looted by Nazis from Jews and from central banks in other countries. However, documents recently declassified from US archives on the disposal of 5,861 gold bars with a value of $79m from the Netherlands to Germany, show the vast majority went to Switzerland.

Car sales leap in W Europe

New car sales in western Europe leapt by 14.5 per cent year-on-year last month, well above industry expectations, writes John Griffiths. Figures from the European Automobile Manufacturers Association show that only in Greece and Switzerland did sales fall below levels of a year earlier. The biggest increase among the main markets was in France, where sales jumped 24.5 per cent to 202,200 from 162,400 the previous October. Virtually all this increase was accounted for by cars bought under before the end of the sales incentive programme.

Large increases in Italy and Spain were distorted by their very poor sales in the second half of last year. Italian registrations were 22 per cent up year-on-year, at 144,500 units; Spain's were 31.2 per cent higher at 78,300.

Strong performances in the German and UK markets were not the subject of statistical distortions, and the 6.4 per cent rise in German registrations, to 284,500 in October, comes despite a string of gloomy statistics on the state of the economy and of manufacturing. The 13.3 per cent rise in Britain, to 154,700, was attributed by industry executives to revived consumer confidence, reflected in rising house prices, falling unemployment and the strength of new car sales to private customers last month.

Last month's increases have lifted the total western European market for the first 10 months of the year to 7.4 per cent above 1995.

West European new car registrations
January-October 1996

	Volume (Units)	Volume Change(%)	Share (%) Jan-Oct 96	Share (%) Jan-Oct 95
TOTAL MARKET	11,116,800	+7.4	100.0	100.0
MANUFACTURERS:				
Volkswagen group	1,899,016	+10.2	17.1	16.7
– Volkswagen	1,238,154	+12.5	11.1	10.6
– Audi	345,648	+7.0	3.1	3.1
– Seat	246,466	+0.5	2.2	2.4
– Skoda	68,748	+25.0	0.6	0.5
General Motors	1,394,872	+3.5	12.5	13.0
– Opel/Vauxhall	1,338,343	+4.0	12.0	12.4
– Saab	47,489	-4.2	0.4	0.5
PSA Peugeot Citroen	1,337,817	+7.5	12.0	12.0
– Peugeot	792,485	+6.6	7.1	7.2
– Citroen	545,332	+8.8	4.9	4.8
Ford group	1,304,277	+4.9	11.7	12.0
– Ford	1,291,789	+5.0	11.6	11.9
– Jaguar	12,448	-6.8	0.1	0.1
Fiat group"	1,243,951	+8.9	11.2	11.0
– Fiat	998,601	+12.1	9.0	8.6
– Lancia	140,050	-0.7	1.3	1.4
– Alfa Romeo	103,773	-5.3	0.9	1.1
Renault	1,124,115	+4.7	10.1	10.4
BMW group	684,154	+6.7	6.2	6.2
BMW	363,195	+8.7	3.3	3.2
Rover	320,959	+4.5	2.9	3.0
Mercedes-Benz	400,360	+15.7	3.6	3.3
Volvo	172,207	-8.7	1.5	1.8
Nissan	315,678	-1.0	2.8	3.1
Toyota	287,050	+8.2	2.6	2.6
Honda	169,169	+8.3	1.5	1.5
Mazda	151,926	+5.2	1.4	1.4
Mitsubishi	131,427	+19.5	1.2	1.1
Total Japanese	1,197,762	+7.1	10.8	10.8
Total Korean	212,705	+41.7	1.9	1.5
MARKETS:				
Germany	3,001,800	+6.5	27.0	27.2
France	1,852,800	+14.7	16.7	15.6
United Kingdom	1,812,000	+4.7	16.3	16.7
Italy	1,489,000	+0.6	13.4	14.3
Spain	753,000	+8.0	6.8	6.7

*VW holds 70 per cent and management control of Skoda.
§Includes cars imported from US and sold in western Europe.
**GM holds 50 per cent and management control of Saab Automobile.
Fiat group includes Lancia, Alfa Romeo, Innocenti, Ferrari and Maserati.
Source : ACEA (European Automobile Manufacturers Association) estimates. Figures are rounded.

Arms and aid stack up in Bosnia debate

By Anthony Robinson

Crates of US arms meant to strengthen the army of Bosnia's Croat-Moslem federation are stacked up at the port of Ploce on Croatia's Adriatic coast. At the same time bloody clashes across the border lines between the federation's two entities serve as a reminder that a year after the Dayton agreements brought the warring ethnic groups reluctantly together there is little prospect of refugees returning home.

As governments and aid bodies at international conferences in Paris this week and in London early next month prepare for the second year of rebuilding the region's battered economies, officers of the multinational peace implementation force (Ifor) worry about their ability to hold the line once their mandate expires in six weeks' time and Ifor is replaced by a force probably half its size.

The well-armed and highly mobile Ifor troops, operating in three zones under overall American, British and French control, created the basic security needed to get economic reconstruction under way. But political and economic relations between the ethnically defined entities remain strained. Mr Carl Bildt, the international high commissioner for Bosnia, warned this week that war could resume "in the blink of an eyelid" if multinational forces were removed.

Recent discussions on aid policy have included a debate over the need for an "economic tsar" to co-ordinate the four-year $5.6bn multinational aid effort and whether Republika Srpska, the Bosnian Serb entity, and the caretaker Moslem government in Sarajevo, should be encouraged by economic aid to work within joint governing institutions, as envisaged in the Dayton accords, or be penalised for dragging their heels.

The first progress report from the International Monetary Fund/World Bank teams in Washington and Sarajevo charged with co-ordinating the international aid effort shows that $558m of the $1.6bn pledged for 1996 had been disbursed by September 30, while projects worth $880m were under way. The Bank has created 12 project task forces with the aim of giving donors, who will be asked to pledge around $1.4bn next year, clearer channels for concentrating their aid on specific areas.

The Bank is lobbying hard to retain its co-ordinating role. It argues that achieving complex tasks such as setting up a central bank and a common currency would not be helped by transferring overall control to Mr Bildt or to Mr Richard Sklar, the personal envoy of US President Bill Clinton.

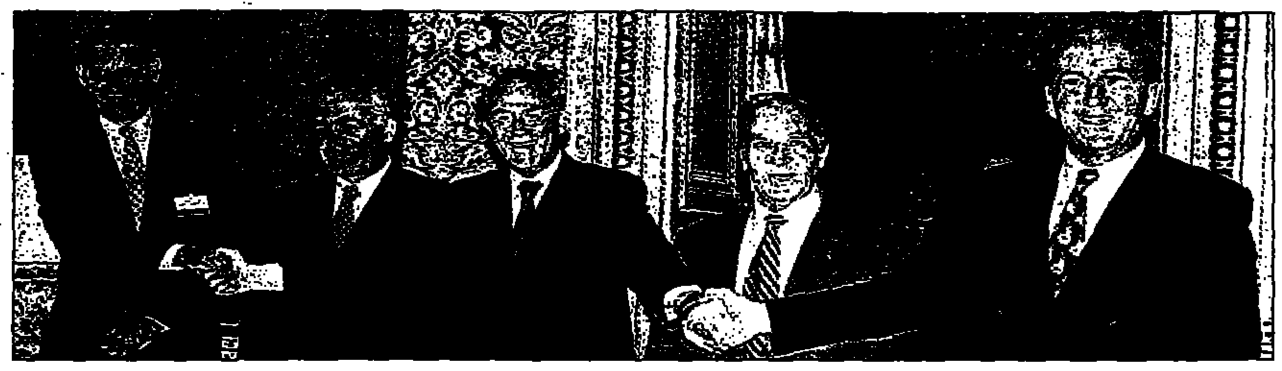
Powerful political conditionality has already been built into the multinational aid programmes. The World Bank's figures show that $3.69bn has been earmarked for projects in the Croat-Moslem Federation over the next four years, compared with $1.4bn for Republika Srpska. Over the first nine months of this year $432m was disbursed in the Federation while only $7m was disbursed on projects in the Serb entity.

This imbalance is likely to deepen. Projects worth $723m are under implementation in the Federation while schemes worth only $11m are under way in Republika Srpska. A further $146m of projects are designated "inter-entity".

The mis-match reflects both the reluctance of the Bosnian Serbs to accept the international conditions for aid, and the reluctance of many donor countries to pledge aid to Republika Srpska while so many generals and politicians associated with war crimes and determined to pursue a separate identity for Republika Srpska remain in power.

The view of some Ifor officers is that Bosnian Serbs, feeling betrayed and abandoned by Mr Slobodan Milosevic, the Serbian president, have little desire for more fighting. The Moslems, on the other hand, territorially squeezed by the Serbs and in unloving cohabitation with the Croats, are dissatisfied with the post-war status quo.

On this analysis Washington's plans to upgrade the Croat-Moslem army to create a better balance of power find little support. British commanders find it hard to believe that introducing more weapons into this Balkan cockpit will either make peace more secure or an eventual safe exit more achievable.



Bosnia's three co-presidents (pictured yesterday with international mediator Carl Bildt, left, and French foreign minister Hervé de Charette, centre) will adopt in Paris today a two-year agenda to consolidate the Dayton peace plan following the most serious clash in the country since the accords were signed, write Laura Silber in Paris and Bruce Clark in Bonn.

However, French and US officials remained divided yesterday over the prospective agreement. Western diplomats said France wanted Bosnia's leaders to sign an agreement, while the US wanted them to outline an agenda for a series of conferences to take place over the next month to finalise the two-year consolidation plan.

France also backed the creation of a permanent election committee, composed of Bosnia's rival parties. In contrast, the US wanted the Bosnian Serbs to extend the Organisation for Security and Co-operation in Europe mandate in order to have international supervision of controversial municipal elections planned next spring.

The Paris meeting follows intervention by the Nato-led Implementation Force (Ifor) after a Moslem was killed and two Serbs wounded during fighting with mortars and small arms in the disputed village of Gajevi in north-eastern Bosnia.

Officials said a post-Ifor force would not be discussed in Paris. A question mark remains over the final decision taken by the re-elected US Clinton administration about the depths of its future involvement in Bosnia.

German defence ministry officials say planning for a Franco-German contribution to a peacekeeping force in Bosnia next year is at a very advanced stage. German soldiers will start intensive training on Monday, the day Nato ambassadors in Brussels are due to take a political decision on military options for next year. Germany expects to join France in policing southern Bosnia leaving Britain in charge of the north-west and presumably the US in the north-east.

Lukashenko takes his case to Russia

By Chrystia Freeland in Moscow

Mr Alexander Lukashenko, the Belarusan President, yesterday sought Russian backing for a controversial referendum he is planning to hold in his own country later this month.

If passed, the November 24 vote would give the Belarus leader almost total control over the legislature and superior courts, the only institutions which have spoken out against his increasingly authoritarian reign.

The planned referendum has provoked widespread opposition from Belarus politicians. But Mr Lukashenko yesterday sought the support of another, more powerful constituency, telling the Russian parliament the referendum was essential to his goal of uniting Belarus with Russia.

"In order to save the policy of the present Belarusan leadership, based on the unification of two Slavic peoples, I am compelled once again to go directly to the Belarusan people [with a referendum]," he said.

As he made his case for swifter unification of the two Slav neighbours, Mr Lukashenko's emotive evocation of Soviet honour, Orthodox spirituality and the strategic threat still posed by the west drew applause from Russia's Communist and nationalist dominated parliament.

But some liberal parliamentarians walked out, underscoring the political dilemma Mr Lukashenko poses for a Russian administration which values the Belarusan leader's steadfast political support but does not wish to compromise its own democratic credentials.

Mr Grigory Yavlinsky, whose liberal Yabloko faction of MPs led the boycott, issued a statement accusing Mr Lukashenko of using the populist call for integration as a pretext for his efforts "to establish a totalitarian state."

"Using as a cover the extremely popular idea of Russian-Belarusan integration, Alexander Lukashenko is pursuing a different objective – the destruction of democratic institutions and the usurpation of power," said the statement.

The conflict in Belarus threatens to come to a head in less than two weeks, when Mr Lukashenko said he was determined to go ahead with his referendum. This week the republic's chief electoral officer said the planned poll would have no legal validity.

A confrontation between the Belarusan president and legislature could be a problem for the Kremlin, which might be forced to choose between its most loyal neighbour and the opinions of Russia's liberal intelligentsia.

Siding with Mr Lukashenko would also risk drawing Moscow into a dispute with the west, especially the US. Mr Lukashenko is proudly anti-western and once threatened to use nuclear missiles to prevent the eastward expansion of the Nato military alliance.

German unions meet to thrash out strategy

By Wolfgang Münchau in Dresden

Moderate and hardline German union leaders will clash today as the movement prepares to make one of the most important decisions on strategy for 15 years.

DGB, the umbrella organisation of Germany's trade unions, yesterday started a three-day extraordinary meeting to decide on the leadership's proposals for a controversial overhaul of its 1981 manifesto.

The proposed changes – ditching calls for national ownership of vital sectors of industry in favour of an unequivocal commitment to the social market economy – have opened up deep divisions among the 15 member unions.

The large weight of moderate unions backing the changes, including OTV, the public sector workers, and IG Chemie, the chemical union, is expected to secure a majority for the changes when the 600 delegates vote today and tomorrow.

Mr Klaus Zwickel, president of IG Metall, the engineering workers, has even threatened to walk out of the congress unless it approved the new manifesto.

The opponents include some of the smaller unions, such as IG Medien, the journalists' union.

Mr Dieter Schulte, president of DGB, said developments over the last 15 years, "such as women's demands for equal rights in the workplace, ecological upheavals, the contradiction between globalisation and national narrow-mindedness can no longer be fully explained by the conflict between labour and capital.

"For that we need much more subtle explanations and an extended notion of a union's role."

The debate highlights the soul-searching inside the German trade union movement at a time when German companies are increasingly investing abroad and are starting to question the consensus-based model of German industrial relations.

The issue has also opened divisions between activists and disillusioned members from eastern Germany.

In the short opening debate after Mr Schulte's keynote address, one delegate backed the goal of making unions more relevant to young people "but I have grave doubts whether we can achieve this with a manifesto. The young are looking for concrete results, they are looking for high-quality training jobs."

Poll puts Klaus to the test

Victor Boland on the creative tactics of Czech candidates

One candidate in this week's election to the Czech senate is offering voters a chance to win a holiday in the sun. Another is running a lottery for a new car. Yet another has plastered his face on beer-bottle labels in the belief that the way to a voter's heart is through the bar.

Elections bring out the inventiveness in Czech politicians. Aspiring senators need all the marketing wheezes they can dream up for the poll.

It is the second national election this year, and the senate is a new institution; its main role is to scrutinise legislation.

Miloš Zeman (left) and Václav Klaus ... mutual dislike

The election is a crucial test for Mr Václav Klaus, the prime minister. If his Civic Democratic party (ODS) wins a majority, his faltering reputation will be restored. If it does badly, sceptics who have questioned his leadership will be handed further ammunition.

Mr Klaus has been on the defensive since the general election in June, when he lost his overall majority in the lower house. He now runs a minority government, while Mr Miloš Zeman, leader of the main opposition Social Democrats (CSSD), is chairman of parliament. Their long-standing mutual dislike has led to a sharp deterioration in the quality of political debate.

Mr Klaus has also been undermined within his own government. Members of the two small parties which are partners in his coalition talk candidly in private of drift and indecisiveness. Disagreements on health care and pension reform, tax cuts, the trade deficit and privatisation have broken out.

Most seriously, the prime minister is no longer unassailable within the ODS. The party prides itself on being the only one with a truly national appeal, but Mr Klaus failed in the general election to articulate his party's vision of where the country was headed. That led senior backroom power-brokers, headed by Mr Josef Zieleniec, the foreign minister, openly to question the party's future.

Added to these troubles is the government's far from sure-footed handling of a banking crisis, which cost taxpayers more than $1bn and has brought questions of market regulation, financial propriety and political accountability to the forefront of political debate.

Mr Klaus, therefore, badly needs an electoral boost and there are some signs that he may get one. Opinion polls give him a slight edge, and in his campaigning he has been able to exploit disarray within the opposition.

Mr Zeman played a good hand in negotiations after the general election and his control of parliament has sometimes been impressive. But he has lost authority in his party because he is not a good tactician. He has tried to vote down government measures when it would have been better to abstain or support them.

Central Prague was closed to most traffic yesterday because of a smog alert caused by car fumes, heating plant emissions and cold weather, writes Vincent Boland. A traditional feature of Prague's winter, smog has worsened in recent years because of a rise in the number of cars.

If the ODS wins an overall majority, Mr Klaus would be rejuvenated and "strongly tempted to go for an early general election", believes Mr Jiří Pehe, head of analysis at the Open Media Research Institute think tank. If it does not, he says, the government's position would be untenable and it could resign, forcing the CSSD to try to form a left-leaning government.

The polls are open tomorrow and Saturday morning for the 81-member senate, which will be elected on a first-past-the-post basis – the lower house is elected by proportional representation – with a run-off at the end of next week in constituencies where no candidate wins more than half the vote. ODS and CSSD candidates are likely to top the polls in most constituencies, but much may depend on the second round – if the voters turn out.

EUROPEAN NEWS DIGEST

Trade limited as Athens re-opens

The Athens stock exchange reopened yesterday after a three-day gap, but only about 30 of Greece's 65 brokerage companies were permitted to trade. In an effort to clean up trading practices, the capital markets committee, which acts as the bourse watchdog, has ruled that brokers must settle outstanding trades with the clearing house before they return to the floor.

Analysts said the committee's decision would drive several small stockbroking firms into bankruptcy as they would not be able to meet today's deadline for completing settlement. Four small brokerages are suspected of complicity with brokers Delta Securities in manipulating share prices in family-owned companies listed on the bourse, while several others handled occasional trades.

Delta's failure last week to pay Dr2.6bn ($11m) owed to the clearing house halted trading on the bourse and triggered calls for a full investigation into illegal trading practices. *Kerin Hope, Athens*

Absent Craxi sentenced

The first definitive court sentences have been issued against leading political and business figures involved in the corruption scandals that shook the Italian establishment from 1992 onwards. The sentences, confirmed by the appeals court in Rome, include a 5½-year prison sentence for the former Socialist premier, Mr Bettino Craxi, who has been living in self-imposed exile in Tunisia since July 1994. If Mr Craxi returns – he has been seeking to come back for medical reasons – he will be immediately imprisoned. Yesterday, a new arrest warrant and extradition request was being prepared on top of the four existing ones issued against him.

The sentence concerned L12bn ($8m) worth of funds illegally paid to the Socialist and Christian Democrat parties to allow a company to be set up by Eni, the state oil group, Sai, an insurance company owned by building tycoon Mr Salvatore Ligresti, and Salomon Brothers of the US, to extend life cover to Eni's 130,000 employees. Mr Ligresti was sentenced to two years and four months but may yet avoid jail through social service. Mr Severino Citaristi, the former treasurer of the Christian Democrats, who has been involved in over 70 cases of handling illicit funds, was sentenced to the same term as Mr Craxi but may be exempt through age. The first to enter prison yesterday was Mr Sergio Cusani, a financial consultant, who received L1bn because he was excluded from the deal to set up the insurance company, which in the end never got off the ground. *Robert Graham, Rome*

Baltics seek EU, Nato entry

The Baltic States' entry into the European Union and Nato is vital to underpin their restored sovereignty and national security, Latvian President Guntis Ulmanis told Mr John Major, the UK prime minister, yesterday. Latvia, Lithuania and Estonia, who ended their forced membership of the Soviet Union in August 1991, cannot be indefinitely excluded from Nato, he said before the meeting. "The idea that Europe is more secure if the Baltic states are excluded from Nato and less secure if the Balts are inside is absurd," he added.

Latvia, a member of Nato's partnership for peace, has contributed troops to the Nato-led Ifor implementation force in Bosnia, and wants to join the the EU and Nato in the first round of enlargement, but without sacrificing its national identity. *Anthony Robinson, London*

NEWS: AMERICAS

Growth chicken or savings egg?

Which comes first? **Stephen Fidler** on a dilemma for Latin American economists

It has almost become a commonplace to blame Latin America's continued vulnerability to financial crisis on the lack of national savings. It is the inability to generate savings, the argument goes, that distinguishes east Asian economic success from Latin America's failure to grow.

Now a group of economists from the Inter-American Development Bank in Washington has tried to turn that conventional wisdom on its head, with, if their conclusions are to be believed, important implications for economic policy.

"Higher growth precedes higher saving, rather than the reverse. It is only after a sustained period of high growth that savings rates increase and may do so with a delay that can be quite significant," the economists conclude in a paper presented last week in Paris. The most powerful determinant of saving over the long run is economic growth.

Policy efforts "should concentrate on removing the impediments to growth rather than trying to establish programmes aimed directly at promoting saving that are likely to be of dubious effectiveness and may involve economic inefficiencies," they argue.

But they also add that reform policies aimed at raising efficiency and promoting growth may, although temporarily, reduce savings for many years, thereby increasing reliance on volatile flows of inward capital.

It was therefore "important to ensure growth-friendly policies will not be forgone or delayed because of the possibility of a transitory, adverse impact on saving".

National saving in Latin America has averaged less than 20 per cent of gross domestic product over the last decade, compared with more than 30 per cent in six rapidly growing east Asian economies. Chile, with a saving rate of of more than 25 per cent, is the only Latin American economy where saving approaches Asian levels. Saving has actually fallen in 13 countries during the 1990s.

By comparing savings and growth rates in Asia and in Chile, the economists concluded that higher growth preceded increases in savings rather than the reverse.

They also argue that there are several reasons why economic reform programmes could lead to an initial fall in savings. For example, cutting budget deficits – thereby increasing public savings – was often associated with declines in private savings. Moreover, inflation stabilisation plans are likely to reduce savings in the short to medium terms by giving rise to a consumption boom.

Attempts are also being made to increase savings through the implementation of Chilean-style contractual savings schemes. But the paper argues that, though these programmes help develop local capital markets – an important objective since they improve the allocation of investment resources – savings do not increase significantly, unless taxpayers take on the burden of paying for existing pensioners not covered by the new private scheme. "If the government accommodates the obligation through an increase in the budget deficit, there is no direct effect on national savings."

In Chile, the reform was accompanied by a large fiscal adjustment – of some 3 per cent of GDP – to pay for existing pensioners. Reforms in other Latin American countries "have not involved a similar fiscal adjustment and the impact of reform on saving is therefore likely to be much smaller".

The paper also argues that big capital inflows tend to lead to short-term falls in savings rates, but that this occurs in both Asia as well as Latin America.

After sharp criticism of the paper from other economists in Paris, the authors – who include the IADB's chief economist, Ricardo Hausmann – argued that they still considered saving important – but wanted to call into question its value as an interim target for economic policy.

**Saving Behaviour in Latin America: Overview and Policy Issues by Michael Gavin, Ricardo Hausmann and Ernesto Talvi. To be published by the Organisation for Economic Co-operation and Development in March, in Promoting savings in Latin America*

The Inter-American Development Bank's most closely watched annual review has been delayed for a second successive year because of an internal controversy over its contents, Stephen Fidler reports.

The report, Economic and Social Progress in Latin America, is produced mainly by the bank's economics department, led Mr Ricardo Hausmann, a former Venezuelan planning minister. It is now scheduled for release towards the end of November.

A memorandum made available to the FT shows that at a July committee meeting to discuss the report, the authors were asked to make significant changes to it.

They asked for the report to be revised to make it less definitive and more practical in its conclusions.

The committee, of which the bank's president, Mr Enrique Iglesias, is a member, recommended among other things that a chapter on privatisation should be adjusted "with the object of reducing its excessively doctrinaire tone". A section on finance should be re-examined to avoid "an unnecessarily neo-liberal tone".

Degas bronze dancer auctioned for $11.8m

By Antony Thorncroft

A bronze cast of one of Degas' most celebrated works, "Petite Danseuse de Quatorze Ans", (pictured right) sold for $11.8m at Sotheby's in New York on Tuesday night. It was a record price for a Degas sculpture at auction.

The French artist made the original wax sculpture of the young girl working on her ballet exercises around 1880 but bronze casts were not made until the 1920s – 27 are known to exist. This example was sold by the Shelburne Museum in Vermont, which, in all, disposed of five important Impressionist works for a total of $31.2m, comfortably above the $25m estimate. The money will be used to establish an endowment to care for the museum's collection. A Degas pastel, "Danseuse jaune", showing a dancer taking a bow, went for $8.7m, a record for a Degas drawing, while another Degas drawing of a dancer, "Danseuse à la barre" sold for $6m. Given the attractiveness of the images, the international appeal of Degas, and the excellent provenance of the pieces – they were given to the Shelburne by its founder, the great collector Electra Havemeyer Webb, the prices were not unexpected.

The 63 lots that followed in the winter auction of Impressionist and Modern works of art brought in $61.35m but 24 were unsold, suggesting that bidding is still selective. However the most important works found buyers.

A Cézanne landscape "La côte du galet, à Pontoise", was on target at $11m, while "Girls on a bridge" by Edvard Munch set an auction record for the Norwegian at $7.7m.

Coffee gourmets fail the bean test

By Christopher Parkes in Los Angeles

California's coffee connoisseurs, trend-setters in the new café society, are facing the possibility that they may be reclassified as nothing more than coffee mugs.

According to a federal indictment laid against a respected Berkeley broker last week, leading coffee shop chains – and their customers – may have been duped for almost a decade into paying top prices for low grade beans.

Mr Michael Norton, owner of Kona Kai Farms, is alleged to have netted a personal fortune of at least $14m by selling Costa Rican and Panamanian coffee in the guise of produce from Kona, the tiny coffee-growing region on Hawaii.

Mr Norton's lawyer, denying the charges, said Kona was an "image" not a place. "Is all French bread baked in France," he added.

Top coffee shop chains, riding high and expanding internationally on the strength of their reputation as purveyors of gourmet beverages, were quick to deny any damage.

Starbucks, the market leader, which is planning a move into Japan, said it bought only "minuscule" amount of Kona Kai coffee.

Experts said the scandal could have repercussions throughout the industry. Hawaiian growers were due to meet yesterday to discuss their response to events. Only three years ago a growers' petition to register Kona as a trademark was rejected in Washington.

Kona, hand-picked on about 100 small farms in the only coffee-growing area of the US, sells for $8 a pound compared with less than $2 for more mundane varieties. The Kona area produces only 2m lbs of beans a year, although on some estimates, the US market consumes 20m lbs of "Kona blend".

AMERICAN NEWS DIGEST

Democrat fund inquiry rejected

The US Justice Department has rejected a request to appoint a special prosecutor to investigate Democratic party fundraising, after allegations that the Clinton administration dispensed political favours to foreigners in exchange for large campaign contributions.

The department said a task force of federal prosecutors would conduct a review of political fundraising for the 1996 election, adding that a special prosecutor could still be appointed later, depending on the evidence.

In a separate investigation, the Commerce Department is to hold an internal investigation into the conduct of a former employee, Mr John Huang, the man at the heart of the controversy over foreign-linked political contributions. *Patti Waldmeir, Washington*

Boeing team wins contract

An industry team headed by Boeing has won a $1.1bn Pentagon contract to develop an airborne laser to shoot down tactical ballistic missiles in flight.

The team, which includes Lockheed Martin and TRW, will develop a prototype to be mounted on a Boeing 747 jet. The Air Force chief of staff, General Ronald Fogelman, said the laser could change the military's concept of defence. The Boeing team defeated a team headed by Rockwell International including General Motors' Hughes aircraft division and the E-Systems unit of Raytheon. *Reuter, Washington*

Rise in US producer prices

US producer prices rose by an estimated 0.4 per cent in October, the Labour Department said yesterday, in the latest indication that inflationary pressures remain weak.

The figure marked an acceleration in wholesale price increases from September, when the index rose by just 0.2 per cent, but would have been much lower except for sharp increases in the highly volatile food and energy components of the index. Wholesale energy prices rose by 1.9 per cent, while food prices were 0.8 per cent higher.

The figures were seen as a vindication of the Federal Reserve's decision not to raise interest rates in September. The Federal Reserve confirmed yesterday that it would hold interest rates steady amid signs that the economy is on course for modest growth with stable inflation next year. *Gerard Baker, Washington*

Chirac plea to French Guiana

President Jacques Chirac yesterday tried to calm tensions in French Guiana, where three nights of riots resulted in one person dead. Frustrated high school students have been on strike for three weeks demanding better educational facilities. Their discontent spilled over into street protests a week ago in the main city, Cayenne, which led in turn to night-time violence.

Mr Chirac urged local authorities to "ensure that the demands of the Cayenne school pupils are satisfied". The French government has beefed up the police presence, sending 150 extra gendarmes to Cayenne. *AFP, Cayenne*

NEWS: INTERNATIONAL

US joins international force in Zaire

By Patti Waldmeir in Washington and John Kampfner in London

The US said last night it would join a multinational force to intervene in Zaire, contributing 1,000 ground troops and several thousand others to provide logistical support.

The development paves the way for the despatch of a Canadian-led force of up to 20,000 troops commanded by a Canadian general – which could be controversial in the US.

Britain said last night it was ready to contribute "constructively" to the force, provided a satisfactory plan could be worked out.

British ministers said they had been heartened by pledges of large-scale US involvement in military action to ensure safe passage of humanitarian aid, especially around the regions of Goma and Bukavu bordering Rwanda.

The United Nations Security Council is expected to provide a mandate for the operation by the end of the week.

The US laid down strict conditions for participating in the force. US troops would be used to secure the Goma airfield in eastern Zaire and to provide security along a corridor from Goma to the Rwanda border.

Most of the US troops would be based outside Zaire. Mr Mike McCurry, the White House spokesman, said no attempt would be made to separate militia forces from refugees in conducting the operation.

The White House appeared to have acted in haste in making the decision, playing down concerns about the precise purpose of US intervention in its keenness to respond to international pressure for immediate action.

More than 1m long-term Rwandan and Burundian Hutu refugees are cut off from all aid by the conflict between Zairean troops and Tutsi rebels, who hold much of east Zaire. Thousands are feared to be dying in the hills and mountains.

The multinational force is supposed to help repatriate them but cannot force them to go home from the vast Mugunga refugee camp near Goma or from hills and forests where they are hiding.

The hazards facing the force were highlighted yesterday when Goma was shelled, prompting UN officials to suspend their first distribution of aid.

Rebels fired at an unidentifed aircraft as it made three passes over the city, with rebels saying that they suspected French troops were on board.

In Kigali, Rwanda's president warned the intervention could go the way of other ill-fated missions to Africa unless Zairean rebels were consulted.

The days of France's African hunting ground may be ending

Michela Wrong on Paris's discomfort over its Rwanda policy

After weeks of fretting, President Jacques Chirac has got his wish.

Now that the Rwandan government has watered down its objections to French involvement in a Canadian-led military operation in east Zaire, stipulating only that Paris should not play a prominent role, France is once again in a position to intervene in central Africa.

The Rwandan change of heart will come as a massive relief. While other western countries were content to wring their hands over the unfolding tragedy, the French have pushed for international military engagement from the start.

But most analysts believe such eagerness has little to do with concern for 1m Hutu refugees behind rebel lines. Driving France, they say, is the need to stop the conflict sending destabilising ripples across central Africa, threatening its francophone allies.

For the conflict in Kivu, by challenging the territorial integrity of one of Paris's closest regional allies – Zaire – risks sabotaging decades of French post-independence policy in Africa, undermining cosy relationships fostered with a host of leaders across the continent.

"President Paul Biya in Cameroon, Gabon's President Omar Bongo and the countries neighbouring Zaire to the west are absolutely frantic," says Mr Gérard Prunier, a French academic with close ties to the Paris government. "They all have ethnic problems of their own that spill over borders. They are afraid if Zaire becomes a maelstrom they will get splashed in the mud and will not be able to save themselves."

France's failure to take immediate unilateral action

> 'France is under pressure to show its allies it is not abandoning its own backyard'

in east Zaire confirmed these leaders in their suspicions that the halcyon days when much of the continent was Paris' *chasse gardée* – its "private hunting ground" – were over.

Under the old arrangement, France regularly dispatched troops to shore up faltering regimes and bailed them out financially. In exchange, its companies won the lion's share of government contracts and Paris was assured of a flurry of African votes when key decisions came up in international forums.

But the relationship has grown burdensome for France and a generation of young technocrats is urging Paris to "normalise" its relations with the continent and turn towards Europe, America and the Far East.

Paris' allies, already disturbed by the downfall of the late Rwandan President Juvenal Habyarimana, would regard no action of any kind in Kivu as a sign France was both dropping Zaire's President Mobutu Sese Seko and leaving Zaire to fall apart. "France is under pressure to show its allies it is not abandoning its own backyard," says Mr Antoine Glaser, editor of the African newsletter Lettre du Continent.

Ironically, just when France needed to show it still cared, it found its hands tied by compromising past intimacies. The crisis exposed to critical public scrutiny one of the worst examples of its "special relationship" – with Mr Habyarimana's genocidal regime.

Widespread suspicion over France's motives – delicately referred to in diplomatic language as the issue of "neutrality" – has been one of the main reasons why it has taken the international community so long to agree on a military intervention.

Rightly so, for French ties with the former Hutu regime run deep. When the Tutsi-dominated Rwanda Patriotic Front (RPF) first invaded Rwanda in 1990 and then reattacked in 1993, hundreds of crack French troops were sent to bolster the army.

France not only trained Rwandan soldiers and militiamen, it provided armoured cars and Gazelle helicopters and underwrote the delivery of millions of dollars' worth of weapons.

Little wonder then, that when France launched "Operation Turquoise" in 1994 to set up a safe zone in Rwanda, its troops were cheered at roadblocks by the men responsible for the deaths of half a million Tutsis. Paris had said it was intervening to save lives, irrespective of ethnicity. But the Hutus were convinced the real intention was to halt the RPF's advance.

Since then the two countries have barely been on speaking terms. Kigali accused France of using Operation Turquoise to spirit a blood-stained elite out of the country. France refused to invite the new regime to its Franco-African summit in Biarritz in 1994 and did its best to block European aid to a country struggling to rebuild its war-shattered infrastructure.

Many of the leaders who played a key role in the genocide now live in France, a fact hugely resented in Rwanda. Despite detailed evidence against them, Paris has yet to extradite any to an international tribunal.

Aware of the extent to which France was compromised in the Rwanda story, Mr Chirac sought international legitimacy for intervention by courting support from western allies. But whatever role France now ends up playing in east Zaire, its policy in Africa has received a body blow, its decision-makers will be left with a bitter taste in their mouths.

In Zaire, Togo, Gabon, Cameroon, Benin and a bevy of other African countries, France has always taken the pragmatic, self-interested line. Critics say it has turned a blind eye to rigged elections, been the first to resume aid to pariah states, and tolerated human rights abuses for the sake of maintaining "influence" with the countries concerned.

As a result, France and all things French are hated by opposition movements across the continent which blame Paris for their people's subjugation. When, as in Rwanda, the resentful seize power, France risks finding itself persona non grata.

"The chickens are really coming home to roost," says Mr Prunier. "We had this notion that dictators were good for us and Africans didn't deserve any better. We have been behaving like slobs, and finally we have to pay the bill."

Zaire's deputy premier, Mutombo Bakafwa Nsenda, gestures during the World Food Summit, opened by the Pope yesterday. He said it was intolerable for some to live in luxury while others starved Editorial Comment, Page 15

MIDDLE EAST ECONOMIC CONFERENCE

Egypt-Israel business council established

By David Gardner in Cairo

CAIRO '96

Leading businessmen from Egypt and Israel have set up an Egyptian-Israeli business council, with a political committee to lobby for continuing the Middle East peace process frozen by the hardline Israeli government of Mr Benjamin Netanyahu.

Mr Dan Gillerman, president of the Federation of Israeli Chambers of Commerce, described the council as a "landmark" and the most important development to come out of the third Middle East and North Africa economic conference taking place in Cairo.

Nearly 50 of the two countries' most prominent businessmen founded the council at a meeting late on Tuesday night. Among them were Mr Ibrahim Kamel of the Kato Group, one of Egypt's largest enterprises, Mr Mohammed Farid Khamis, chairman of the Egyptian Federation of Industrial Employers, and Mr Benny Gaon, president of Koor Industries, Israel's biggest industrial group.

Israeli businessmen representing about 70 per cent of the country's gross domestic product took the unprecedented step in the May elections of endorsing the Labour prime minister, Mr Shimon Peres, against Mr Netanyahu. They argued that Israel had broken out of diplomatic isolation and into new international markets as a result of the peace process, with high growth, a doubling of exports and a sixfold increase in inward investment.

Growth in Israeli national income has plummeted since the election, while both the domestic stock market and Israeli shares listed internationally have been badly affected.

Corporate Israel's decision to join forces with its peers in the leading Arab country marks a more assertive stage in its lobbying for peace. It also underlines business fears that Israel – a dynamic economy which depends for its prosperity on integration into the global market – could be pushed back into isolation if the Netanyahu government's irredentist policies are seen as feeding a new cycle of violence in the Middle East.

Mr Warren Christopher, US secretary of state, told the 2,000 businessmen from more than 70 countries at the Cairo conference: "You are the constituency for peace." Senior European and Arab officials expect President Bill Clinton in his second term to put more pressure on Israel to go back to the "land-for-peace" formula behind detente in the region.

They foresee Arab governments cutting back recently established ties with Israel unless Mr Netanyahu changes course. They also note that the European Union is losing patience with Mr Netanyahu, and that it has a "partnership" agreement granting Israel unique access to the EU's research and development programme and giving the country's dynamic high-tech sector its first real opportunity to crack the European single market.

Common to the analysis of Americans, Europeans and Arabs is that increased pressure on the Netanyahu government will show up domestically in the form of pressure from Israel's internationally linked and listed businesses.

Mr Gaon for instance said: "What I'm worried about is the volume of Israeli shares being traded – you don't see volume. If Scottish Widows pension fund can't trade shares in Koor Industries, they'll buy something else. I can have $3.5bn turnover and a return of 22 per cent [on equity], and still get red on my [share-trading] screen."

"We are doing what we can to persuade him [Mr Netanyahu] that the economy will not survive without peace. Peace and prosperity are not two avenues, they're one avenue," Mr Gaon said.

"Because the business community has felt the dividends of peace more than any other sector of [Israeli] society," said Mr Gillerman, "we have to make an investment in peace. Beyond the bottom lines, that's in our self-interest."

Many Egyptian businessmen, despite growing pressure to slam the door on the Israelis, also believe it is worth keeping open lines to Israel's business lobby.

"We hope this will create some kind of momentum which will filter back politically," said Mr Gamal Mubarak, director of Medinvest, a UK-based investment bank, and son of Egypt's President Hosni Mubarak.

"They are looking out for their own interests and they know their interests depend on continuing the peace process," he said.

"We'll continue talking and keep our channels of communication open to get our message across."

Cairo signs Turkish gas deal

By Sean Evers in Cairo

Egypt yesterday signed an agreement to export up to 7.3m tonnes of liquefied natural gas a year by tanker to Turkey from 2000.

The parties to the memorandum of understanding, signed at the third Middle East and North Africa economic conference, are the Egyptian General Petroleum Corporation (EGPC), Turkey's Botas Petroleum Pipeline Corporation (Botas) and Amoco Egypt Oil Company, a subsidiary of Amoco Corporation of the US.

The project, costing between $2bn and $4bn, includestwo joint ventures.

The first, to be formed by EGPC and Amoco, will build and operate an LNG plant on Egypt's Mediterranean coast. It will also be responsible for transport and sale of the LNG to Turkey.

A second joint venture, to be established by Botas, will build and operate a regasification plant and other facilities near Izmir, Turkey.

The Egyptian LNG exports will meet about 35 per cent of Turkey's natural gas needs.

The deal may jeopardise the previously proposed "peace pipeline" running from north-eastern Egypt to Turkey by land through the Gaza strip, Israel, Lebanon and Syria.

An Amoco spokesman said that "under current regional conditions" direct LNG exports by tanker to Turkey made the most economic sense.

US and EU revise telecoms stances

By Frances Williams in Geneva

In an agreed move, the US and the European Union yesterday tabled revised offers in World Trade Organisation talks on liberalising telecoms services, due to conclude next February.

The main improvement in the US offer is the scrapping of restrictions on the landing of submarine cables by foreign companies. The offer also includes commercial satellite services, a key EU demand.

Satellite services were included in Washington's previous offer, which opened local, long-distance and international services to foreign competition. But just before the original April 30 deadline, the US said it would take them out of its liberalisation package because of a lack of "critical mass" in market-opening pledges by others, especially in Asia and Latin America.

Like the EU, the US has moved towards a "technology neutral" approach which specifies the coverage of telecoms services whatever the method of delivery.

However, trade officials in Geneva said the value of the right to enter the US local market has been somewhat devalued by Tuesday's US Supreme Court ruling that upholds the authority of state rather than federal regulators to decide on deregulation of the local phone market.

This means Washington will not be able to guarantee interconnection rights to local networks.

In addition, while international services are included in the offer, US officials say this depends on a solution to the "free-riding" problem.

US international operators such as AT&T fear foreign companies with a domestic monopoly will take a disproportionate share of US calls to their home market, by offering cut-price rates that are subsidised by high connection charges at their end.

Other WTO members, including the EU, believe the problem is manageable and diminishing, because the system of "international accounting rates" negotiated bilaterally by countries is increasingly being bypassed by call-back services and company networks.

They argue that anti-competitive behaviour is best tackled by requiring all operators to observe strict licensing conditions. However, in April the US said it was not prepared to abandon the current powers of the Federal Communications Commission to refuse a licence to would-be operators in the US market if their home countries do not have competitive markets. Trading partners say this reciprocal test breaches the WTO's most-favoured-nation principle.

Their main concerns are to ensure that US licensing rules are non-discriminatory and that governments whose operators are refused a licence can bring their grievance to WTO dispute settlement procedures.

US calls off visit in China textiles dispute

By Nancy Dunne in Washington

The Sino-US textiles dispute deepened yesterday when the chief US negotiator on textiles postponed a trip to Beijing, just six weeks before a bilateral textiles pact expires.

The US trade representative's office said Ms Rita Hayes had concluded that scheduling difficulties with Chinese officials had made "substantive negotiations... not appropriate at this time".

The statement follows threats by Chinese officials to retaliate against Washington's imposition of sanctions against Chinese textile and clothing exports. These were imposed for alleged trans-shipment of clothing to third countries in order to evade the effect of US quotas.

Beijing denied any complicity in trans-shipments and said that from December 10 it would temporarily suspend some imports of some US textiles, farm goods, animal husbandry products, fruits and alcoholic drinks.

Mr Jay Ziegler, spokesman for the US trade representative's office, played down the threats of reprisal, describing this as a usual Chinese response to US sanctions. In any case, the threatened sanctions are "all in areas where we have market access concerns", he said.

Mr Ziegler said the timing of the sanctions announcement was odd, considering China's interest in renewing a bilateral pact. The pact, which expires on December 31, allows the US to impose triple damages on trans-shipments. Beijing has sought to modify the terms of the pact and demanded compensation for a July 1 revision in the US rule of origin, which has hurt Chinese exports. China's textile and clothing exports to the US have been dropping since 1994.

The textile dispute comes just as the Washington administration is hoping to improve trade relations with China.

Mr Warren Christopher, secretary of state, is due in Beijing next week to pave the way for President Bill Clinton's meeting with Chinese President Jiang Zemin.

Israel rag trade crosses the border

Peace process precipitated a revamp of textile industry, writes Judy Dempsey

When Israel and Jordan signed a peace treaty two years ago, Mr Dov Lautman, chairman of Delta, one of Israel's largest textile groups, saw an opportunity.

Saddled with rising costs in a labour-intensive industry, he decided to move a part of his manufacturing operations to neighbouring Jordan. Mr Lautman has not regretted the decision.

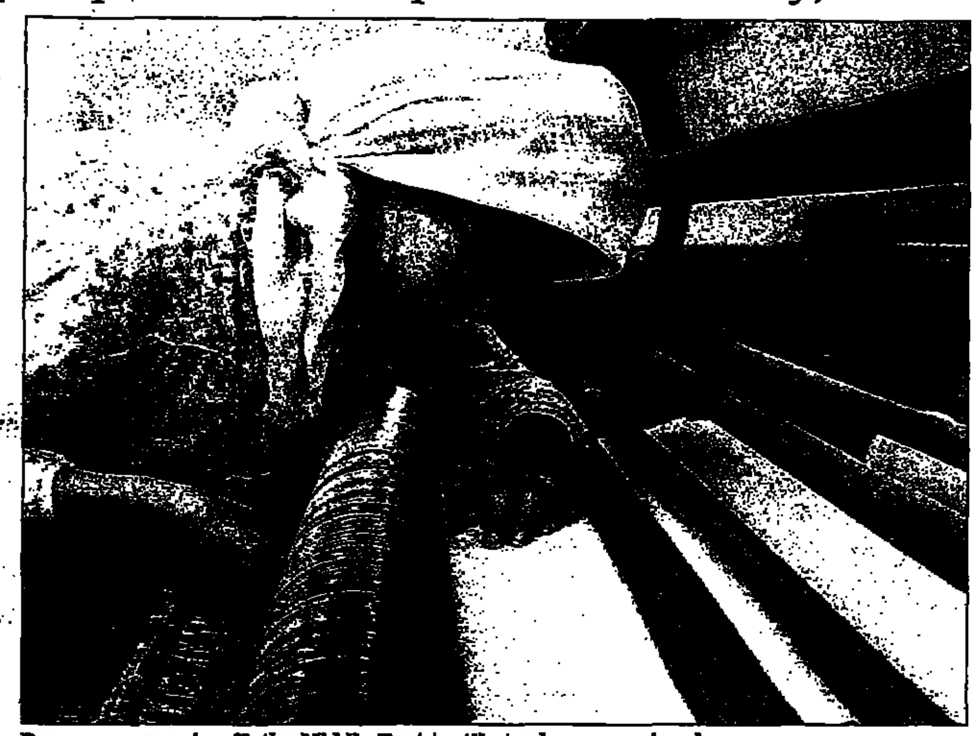
"Israeli textile manufacturers are facing the same problems as their European counterparts: high labour costs and growing competition from south-east Asia," said Mr Lautman, who has 4,000 employees on his payroll in Israel.

Ironically, it was the peace process which exposed the lack of competitiveness in Israel's textile industry. In 1992, Israel signed free trade agreements with the US and the European Union aimed at reducing the hefty 110 per cent tariffs imposed by Israel on US and EU imports to 12 per cent by 2002.

"That agreement exposed Israel to real competition," said Mr Kory Bardash, analyst at Zannex Securities. "Israeli manufacturers were finding it difficult to compete with labour costs which are between 20 per cent and 30 per cent higher than in Greece or Spain," he added.

The impact of the free trade agreements, among the first fruits of the peace process for Israel, was swift. By 1995, 25 per cent of Israeli garments were imported, compared with 10 per cent three years earlier. Over the same period, Israeli labour costs had risen 30 per cent in US dollar terms and inflation had risen 30 per cent.

Exposure to competition meant Israeli textile companies had to restructure their 50,000-strong industry. The peace agreement signed between Israel and Jordan in 1994 provided the opportunity.



Peace process spin-off: the Middle East textile trade goes regional Ashley Ashwood

Delta last year started manufacturing in Jordan, where it now employs between 300 and 400. "We feel very comfortable about setting up there. The peace process is very good for all sides. We need each other," said Mr Lautman. Delta, which specialises in lingerie, had already moved part of its sewing facilities to Egypt in 1994 and it now employs about 700 workers there.

Delta's initiative sent a signal to other Israeli textile manufacturers who are dependent on the export market. A third of the industry's $3.4bn sales last year came from exports, accounting for 9 per cent of Israel's total exports, which amounted to $17.9bn.

Earlier this year, Castro, a coat and jacket manufacturer, set up a joint venture in Jordan. "We do the cutting and the designs and the patterns in Israel," said Mr Gabi Rotter, its chairman. "The sewing is done in Jordan. We ship out the finished goods to Europe from Jordan, which means we cut back further on costs."

Mr Rotter reckons the cost of having garments sewn in Jordan is between 30 and 40 per cent less than in Israel. "Our total prices can be reduced by about 15 per cent," added Mr Rotter, who employs 150 Jordanians. "It also shows this kind of co-operation really means something for the peace process."

Mr Gideon Laks, chairman of Kitan textiles, which has carved out a niche in high-quality bed linen, sees two trends emerging as competition increases and the economic trade-off from the peace process becomes even more apparent: "More of the labour intensive work will be done outside Israel, and Israeli companies will be doing less of the spinning and weaving."

But any success in restructuring the industry will depend on the continuation of the peace process – which has come to a virtual standstill since the election of Mr Benjamin Netanyahu as prime minister last May.

"In terms of confidence and trust in the peace process, the Israeli textile industry has shown what can be gained from peace. But to have any substantial development the peace process has to be kept going," said Mr Bardash.

Crackdown on Latin America music pirates

By Alice Rawsthorn

The music industry plans to label every compact disc and cassette tape sold in Latin America with a hologram as part of its crackdown against piracy, which is rife in the region.

Nearly $300m worth of illegal CDs and cassettes were sold there last year, against legitimate sales of $2.05bn, according to the International Federation of the Phonographic Industry.

Latin American music sales have risen steadily in the mid-1990s and the region is seen as an area of high growth. Record companies are anxious to clamp down on piracy now, rather than risk it spiralling out of control and preventing them from exploiting the region's full potential.

Holograms have been effective in curbing music piracy in other countries. A hologram makes it easy for the authorities and record retailers to check whether a product is legitimate, and the cost of producing an original one is too high for pirates.

The music industry introduced anti-piracy holograms in Poland three years ago, and the proportion of record sales commanded by counterfeited products has since fallen from 90 per cent to 22 per cent. A similar exercise in Hungary has helped reduce the pirated share of the market from 60 per cent to 23 per cent.

The Latin American project marks the first time that holograms will be added to CDs and cassettes in an entire region.

Some 185m holograms have been ordered, bearing a two and three dimensional image of the Latin American music industry association.

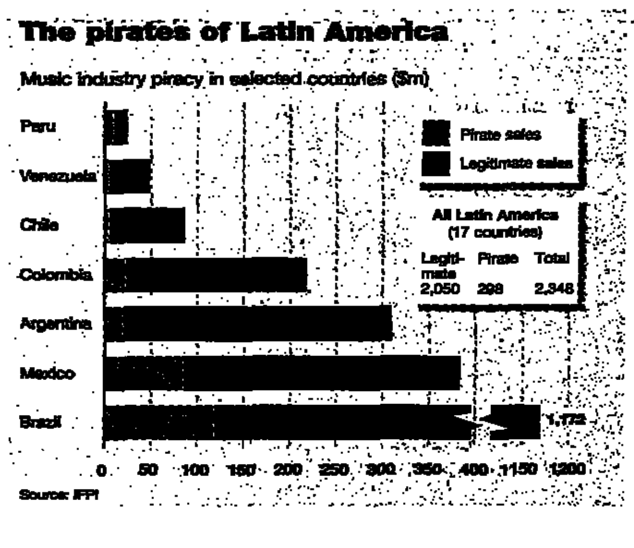
The industry hopes that the Latin American hologram initiative, which coincides with greater efforts from the region's authorities to prosecute music pirates, will have a similar effect as in Poland and Hungary.

Recent crackdowns on piracy in Latin America, particularly in Paraguay, where most of the region's counterfeit production plants are based, have involved more than 1,000 raids resulting in the seizure of $16m worth of CDs and cassettes.

Mr Frank Welzer, president of Sony Music's Latin American division, described the holograms as a "necessary step" but warned that further steps were needed to curb piracy in markets and by street vendors.

The pirates of Latin America

Music industry piracy in selected countries ($m)



Source: IFPI

The US has expressed concern about piracy of videos, sound recordings and patents in Italy and Thailand, but praised Taiwan for efforts it has taken against copyright theft, Reuter reports from Washington.

Ms Charlene Barshefsky, Acting US trade representative, said counterfeiting remained a big problem in Italy and the government's proposed anti-piracy legislation failed to toughen criminal penalties adequately.

"Italy appears to have some of the lowest criminal penalties in Europe and one of the highest rates of piracy," she said.

WORLD TRADE NEWS DIGEST

Fiat wins big train order

Fiat Ferroviaria, the rail equipment subsidiary of the Italian automotive and industrial group, said yesterday it had won a L180bn ($119m) order to supply Malaysia with seven tilting trains, each comprising six wagons, with an option for a further 15 trains.

Fiat Ferroviaria, in a consortium with Malaysian companies led by Diversified Resources Berhad, beat Japanese rivals to clinch the contract – the first order for tilting trains in Asia outside Japan. The trains, which cut journey times by enabling the train body to lean into curves, will be supplied to KTMB, the Malaysian railway, for use from 1999 on the 234km line from Ipoh to Kuala Lumpur.

Work is being carried out on the longest stretch – 174km from Ipoh to Rawang – and the tilting trains will cut the journey time between these cities from over three hours to under two hours. *John Simkins, Milan*

Taiwan starts WTO talks

Taiwan is to begin a new round of bilateral talks with the US today on joining the World Trade Organisation. During a week of negotiations over conditions for US support for Taiwan's membership, the two sides will focus on imports of liquor and cigarettes, Washington's chief remaining concern. Taipei has pledged to dismantle a state monopoly on the import, production, sale and distribution of alcohol and tobacco and liberalisation is proceeding, but not fast enough to satisfy major trading partners. The US is demanding changes to import duties on liquor and tobacco before it will back Taiwan's entry to the WTO. The main obstacle to Taiwan's WTO entry is China, which is demanding that Beijing be granted membership first. *Laura Tyson, Taipei*

Thais award power contracts

The Electricity Generating Authority of Thailand (Egat) is to award independent power producer contracts worth $4.95bn to four international consortia for the supply of 4,172MW of power from 2001. The move surprised energy industry analysts and the companies involved in Asia's largest independent power producer scheme. Egat originally was thought to be considering between two and three consortia to supply no more than 2,800MW. But Egat was so successful in negotiating favourable prices for electricity sales that it decided to award the contracts all at once, officials said.

The four bidders likely to be approved by Egat's board at a November 22 meeting include: Union Energy, comprising Thailand's Saha Union, Tomen of Japan and Imartran Voima Oy of Finland to build a 1,400MW coal-fired facility; and BLCP Power, a joint venture between Banpu and Loxley of Thailand, CRA of Australia and PowerGen of the UK, which will also build a 1,400MW coal-fired plant.

Gulf Electric, a consortium of Lanna Lignite and Siam City Cement of Thailand and Mission Energy of the US will build a 700MW coal-fired plant and BWII Power, a joint venture between Thailand's Hemaraj Land and Development and Bechtel of the US will build a 672MW gas-fired plant. *Ted Bardacke, Bangkok*

Australian rail link backed

The South Australian and Northern Territory governments yesterday pledged to commit A$100m (US$79m) each to a proposed rail link between Alice Springs in central Australia and the northern port of Darwin. The link would complete a north-south rail corridor across Australia and could boost trade by cutting six days off the Melbourne to Singapore sea cargo route for South Australian exports. A recent report suggested the estimated A$1bn project could be viable, although other studies have been less encouraging. Efforts are now mainly focused on encouraging a predominantly private sector development, with Daewoo among those thought to have some interest. *Nikki Tait, Sydney*

Australia survey, separate section

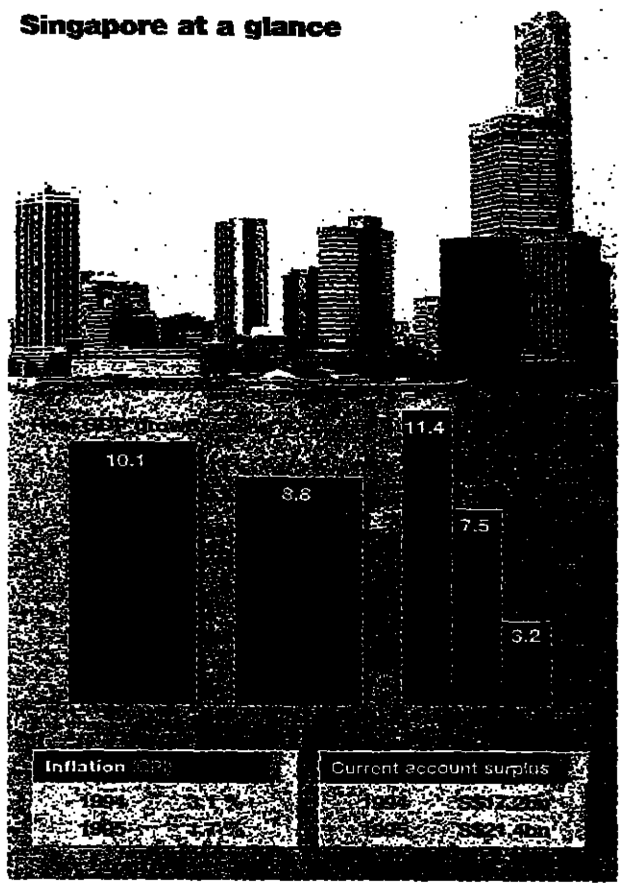
■ ABB, the Swiss-Swedish conglomerate, plans to raise its investments in China from $600m to $1bn by 2000, according to Mr Percy Barnevik, its president. ABB will invest in new plants to supply equipment for the $30bn Three Gorges dam on the Yangtze river. These will augment production from its existing 18 joint ventures. China represents 3-4 per cent of ABB's worldwide business, but Mr Barnevik predicted that would rise to 10 per cent by early next century. *Tony Walker, Beijing*

■ Ansaldo Energia, part of Italy's state-owned Finmeccanica-Ansaldo group, is to build a 400MW power station in West Java, Indonesia, under a build-operate-own project in a consortium with Nrg Energy of Minneapolis and Pt Kiana Metra of Jakarta. The project is worth L1,000bn. Ansaldo will take a 45 per cent stake in the joint company and the scheme involves purchase of power by the Indonesian authorities for 30 years. *John Simkins, Milan*

■ Eurocopter, the venture between Aérospatiale of France and Daimler-Benz Aerospace of Germany, has received a FFr200m ($39m) order to supply the Bavarian police with nine EC 135 helicopters. *AFX, Paris*

James Kynge on Singapore's worst slowdown in a decade

It gets tougher at the top in SE Asia



Singapore is undergoing its worst economic slowdown in a decade. The government is passing the downturn off as something temporary, a cyclical sag caused mainly by the easing in global demand for computers and other electronic products.

Economists and senior executives, however, are less sanguine. They say that while a rebound can be expected over the next six months, the rapid decline in Singapore's fortunes this year has exposed some structural weaknesses which are more than transitory.

In addition, a resurgence of regional competition in fields as diverse as shipping and finance threatens to whittle away slowly at Singapore's pre-eminence in south-east Asia. The overall result, economists say, could be a moderation in growth levels to somewhere between the stately progress of western economies and the vigour of the Asian Tigers.

"The days of double-digit annual growth are over," said Mr Neil Saker, senior regional economist at Crosby Securities in Singapore. "But in the medium term, Singapore can still continue to grow at a rate of about 7 per cent."

Another regional economist said: "Singapore will probably not drop out of the Asian Tiger division, but it may have to fight a few relegation battles."

The bout of introspection has been prompted by unusually negative news. The island's gross domestic product grew just 3.2 per cent in the third quarter of this year from a year earlier, the worst showing since a recession in 1985-1986. The decline was steep; in the first quarter the economy grew at 11.4 per cent and in the second at 7.5 per cent.

The poor showing prompted the government to revise its full-year GDP forecast to 6 per cent, its second downward revision this year. In July it revised its forecast to between 7 and 8 per cent from 7.5 per cent to 8.5 per cent.

Undoubtedly, the falling worldwide electronics demand had a big impact on the headline figures. Electronics make up about 44 per cent of the country's manufacturing output and about 60 per cent of its non-oil exports. August and September are usually buoyant months when electronics companies step up production to prepare for Christmas, but this year many manufacturers cut production by 10 to 15 per cent.

With an economy so dependent on electronics, hopes for a rebound are pinned squarely on upward ticks in the US book-to-bill ratio, which compares the rate of orders to actual sales. The rate of orders has recently risen to exceed sales for the first time in several months, heralding a turnaround from which Singapore should benefit. Estimates vary but most analysts say that it takes about three to four months before the full effect of stronger demand is translated into higher production.

Nevertheless, the last few months have raised more enduring questions over Singapore's economic future. Mr Robert Chua, president of the Singapore Confederation of Industries, said the group was "very concerned" over the recent slowdown. It appealed to the government to reduce industrial land and factory rentals, property taxes, levies on hiring foreign workers, port charges and electricity costs. The island's international competitiveness was at stake, he said.

The main problem for manufacturing, however, is the high level of wages, which have in some cases risen above European levels and have left salaries in neighbouring countries far behind.

It is not surprising that Singapore's neighbours have identified this weakness as a force which may be turned to their advantage. Ports in Indonesia, Thailand and Malaysia are engaged in capacity expansion to win cargo that is currently handled by the Port of Singapore Authority, the world's second busiest hub. Singapore's port, an economic engine which contributes about 5 per cent of GDP, stands to lose a significant amount of business if the strategies of its neighbours pay off; more than half Malaysia's export cargoes currently pass through Singapore.

Neighbouring countries have also begun to compete in luring investments from foreign high-technology companies. Malaysia, for example, expects to make the industrial leap of breaking ground at its first semiconductor wafer plant next year. Regional financial markets, too, are liberalising, presenting a future – though at the moment remote – challenge to Singapore's supremacy as the region's financial hub.

But economists say that although the modernisation of Singapore's neighbours may hit the island's manufacturing sector, it could also have the effect of enriching its services businesses.

"It is not a zero-sum game," said Mr Vincent Low, regional economist at J.P. Morgan in Singapore. "It makes sense for a company to locate its headquarters and research and development in Singapore while having its production offshore."

UK and China sign $62bn HK fund accord

By John Ridding in Hong Kong

Britain and China yesterday signed an agreement to transfer Hong Kong's foreign exchange fund, worth about US$62bn, to the territory's new administration upon the change of sovereignty in July next year.

The accord marked a further move to reassure the financial community about the autonomy of Hong Kong's economic management and control of its assets after the handover.

Under the terms of the treaties underpinning the transfer of sovereignty, the new Hong Kong administration will be fully independent from China in monetary and economic management.

"It [the agreement] ensures there is no gap or doubt regarding the management or ownership of the fund," said Mr Hugh Davies, the head of the British delegation to the Joint Liaison Group, the Sino-British body overseeing the handover.

Mr Davies described the "agreed minute" as a comfort letter for the financial institutions involved in managing the fund, which comes under the control of the Hong Kong Monetary Authority, the territory's *de facto* central bank.

Mr Zhao Jihua, a Chinese representative to the Joint Liaison Group, described the accord as ensuring there would be "autonomy on reserve matters".

Yesterday's move came as Mr Lu Ping, China's top official on Hong Kong affairs, stressed Hong Kong's fiscal autonomy under China's sovereignty. He said Beijing "will not ask for a penny" after the handover, nor would it levy taxes in the territory. According to Mr Lu, the People's Bank of China will not establish any branch in Hong Kong.

He said the central bank would not interfere with local financial authorities but would "actively support the local authorities in their efforts to stabilise local finance and maintain the exchange rate of the Hong Kong dollar".

The exchange fund, which underpins the territory's currency, has risen by just under US$5bn since the beginning of the year.

While the Hong Kong Monetary Authority has control over the reserves, it delegates some of the funds for management by outside institutions.

Chinese and British officials said they had agreed to appoint a "reputable" international auditor to monitor the accounts of the exchange fund. They said yesterday's accord specified all documents and agreements signed by the Hong Kong Monetary Authority up to June 30 next year would continue to be valid afterwards.

Editorial Comment, Page 15

ASIA-PACIFIC NEWS DIGEST

Vietnam loan rules on way

Vietnam's central bank is shortly to issue regulations defining the concept of non-performing loans and bad debt, the first significant move towards adopting international commercial practices in the banking sector.

Mr Do Que Luong, central bank deputy governor, said yesterday the International Monetary Fund was helping draft documents adopting "international standards according to Vietnamese needs".

International standards require non-performing loans to be classified as bad debts after 180 days, but the initial Vietnamese benchmark would be 90 days. He was speaking after signing a SKr3.4m ($515,933) agreement with the Swedish government to finance the independent audit of Industrial and Commercial Bank, one of the country's biggest banks. The project is part of a wider, World Bank-assisted effort to encourage transparency in the banking sector as the country moves towards a more market-based economy.

Official newspapers touched on the subject of bad debts for the first time last month, saying the level of "overdue debt" at the four state-owned banks, which account for 75 per cent of banking assets, was 4.2 per cent of all loans. Foreign bankers say this understates the case. Many smaller joint stock banks are expected to go out of business by the end of this year in what is being seen as a welcome shake-out, prompted by a central bank requirement that each bank boost its minimum capital base to 70bn dong ($6.3m). *Jeremy Grant, Hanoi*

Bhutto appeals to top court

Mrs Benazir Bhutto, the deposed Pakistani premier, appealed to the Supreme Court yesterday against her sacking and described the dissolution of her government as illegal and unconstitutional, in a 42-page appeal.

President Farooq Ahmed Leghari, who sacked the Bhutto government on November 5, yesterday appointed four new ministers to the cabinet, raising to 16 the interim government led by Mr Malik Meraj Khalid, a veteran politician and former national assembly speaker.

Mrs Bhutto's appeal said the caretaker appointments and other measures taken against her and her detained husband, Mr Asif Ali Zardari, showed that the president was not acting fairly according to the law and had no intention of seeking a "fair verdict" from voters. In her appeal she called on the Supreme Court to have her reinstated, applying the principles used in 1990 when the then premier, Mr Nawaz Sharif, was reinstated after being sacked by President Ghulam Ishaq Khan.

Mr Leghari accused the Bhutto government of corruption and nepotism, causing a breakdown of law and order, economic mismanagement, administrative irregularities, violation of human rights and responsibility for thousands of extra-judicial killings. *AFP, Islamabad*

Bangladesh may try coup men

Bangladesh's parliament has voted to repeal a landmark indemnity law enacted 21 years ago to protect the leaders of a military coup in which the founder of Bangladesh, Sheikh Mujibur Rahman, and members of his family were killed. The move paves the way for the trial of the coup leaders, many of whom are already in detention, including a former minister, and three retired senior army officers.

The government of the prime minister, Sheikh Hasina, the daughter of Sheikh Mujibur Rahman, enjoys a comfortable parliamentary majority.

The vote to repeal the "indemnity ordinance" was carried unanimously in the absence of the opposition Bangladesh Nationalist party and Jamaat Islami party MPs, who boycotted the vote. Of the eighteen people so far arrested in connection with the coup, 15 are former army officers or soldiers. The police has said the investigations are not anti-army moves. Observers say they may however open a Pandora's box in a country which has had more than 20 coups in its 25 years of history since independence. *Kasra Naji, Dhaka*

Seoul health minister quits

Mr Lee Sung-ho, South Korea's health and welfare minister, appointed to the post only three months ago, resigned yesterday because of his wife's involvement in a bribery scandal. President Kim Young-sam immediately accepted Mr Lee's resignation and appointed Mr Sohn Hak-kyu, a government party legislator, to succeed him. Mr Lee was named to the post in August in a cabinet shake-up. *AP-DJ, Seoul*

East Timorese leave Jakarta

Four East Timorese asylum seekers, accompanied by Red Cross officials, left the Spanish embassy in the Indonesian capital of Jakarta yesterday evening to get a flight for Portugal, witnesses said. One of the East Timorese youths made victory signs through the windows of the International Committee of the Red Cross car as they left the embassy.

The four East Timorese had scaled the wall into the embassy on Tuesday, when there were demonstrations in Jakarta and East Timor on the fifth anniversary of a massacre in the troubled territory by Indonesian troops. *AFP, Jakarta*

Beijing in call to boost global economic links

By Tony Walker in Beijing


Zhu Rongji: world push

China's top economic policymaker yesterday made a strong pitch for further international integration of China, saying its vigorous economic development would "add vitality" to the world economy.

Vice Premier Zhu Rongji told an international business forum that China's economic development and growth would help the world to prosper.

"The world needs China and China needs the world," he said. "We are willing to carry out broad exchange and co-operation."

Mr Zhu, who is regarded as China's economic "czar", appeared to be answering doubts expressed recently in the west about Beijing's commitment to reform and opening-up during a difficult political transition to a new generation of leaders.

The Chinese official also provided an upbeat view of China's economy, describing progress as "pretty good".

He noted that inflation had been brought under control "much more effectively than expected" and price rises would moderate to 6.5 per cent this year, about half the increase last year.

Growth in gross national product would reach about 10 per cent this year, higher than earlier government forecasts of 8-9 per cent. Foreign exchange reserves would exceed $100bn by the end of the year.

Describing the next 15 years as "crucial", he predicted China would "continue its sustained, rapid and healthy growth with GNP annual increases of 8-9 per cent".

Mr Zhu's positive remarks coincided with the release of trade figures which showed exports climbed again in October – the fourth monthly increase in a row.

International Business Daily reported that exports reached $15.2bn, up 23.3 per cent on a year ago. The trade surplus for October was $3.91bn, bringing the total for the year so far to $12.01bn.

The much improved trading performance in the second half of the year is being attributed to accelerated payment of export tax rebates and an expansion of export credits.

Imports, meanwhile, were up 3 per cent in October to $11.31bn.

Exports to October stood at $119.22bn, much the same as last year, with imports at $107.21bn, up 5.5 per cent on the same period in 1995.

Reuters news agency quoted Mr Wang Jian, a researcher with the State Planning Commission, as saying the rebound in exports was expected to continue until the first half of next year.

He predicted that slow domestic demand due to a lingering credit squeeze would continue to force exporters to look overseas. Domestic enterprises had also adjusted to the cut in export tax rebates to 9 per cent from 14 per cent.

China appears heading for a trade surplus of $14bn-$15bn, slightly less than last year but higher than predicted earlier this year.

Ramos warned over economy

By Edward Luce in Manila

Mr Gabriel Singson, governor of the Philippine central bank, has warned President Fidel Ramos that the country's growing current account deficit could undermine the Philippine economic turnaround unless remedial action is taken.

Mr Singson warned in a letter to the president, disclosed yesterday, that the gap between the country's investment and savings rate was growing rapidly.

With domestic savings at less than 19 per cent of gross domestic product (GDP), well below the 30 per cent rate typical in most of Asia, the Philippines was relying too heavily on foreign borrowing to fund the country's ambitious investment programme, Mr Singson maintained.

"Our savings rate is much lower than the average around Asia," Mr Singson told the Financial Times yesterday. "We are studying ways of rectifying this, including creating a central provident fund [compulsory savings scheme], modelled on Singapore or Malaysia."

The savings/investment gap, which has pushed the current account deficit to 4.3 per cent of GDP in the first six months, up from 2.5 per cent last year, could reach unsustainable proportions, he warned.

Hefty remittances from the country's 4m overseas workers could not be relied on to keep the country in balance of payments surplus indefinitely, he said. A 76 per cent surge in overseas remittances this year has helped boost the capital account surplus to $3.9bn in the first nine months.

Mr Singson's comments reflect growing concern over the country's widening trade deficit, despite registering export growth of 18 per cent so far this year.

His letter to the president was leaked two days after the International Monetary Fund urged the Philippines to boost its capital budget.

The IMF report, which said infrastructure spending in the Philippines, at 3 per cent of GDP, was around half the south-east Asian average, said the Philippines should swiftly enact the controversial tax reform package. The tax bill has languished in congress for more than six months owing to lobbying between rival business groups. It is intended to guarantee recurring budget surpluses as the privatisation scheme runs out.

CONTRACTS & TENDERS

Steep decline reduces unemployment level to lowest point since 1991

Demands mount for rates rise

By Graham Bowley and Samer Iskandar in London

Mr Kenneth Clarke, the chancellor of the exchequer, faced mounting pressure for higher interest rates yesterday after the biggest fall in unemployment for almost two years cut the jobless rate to its lowest level since February 1991.

The number of people out of work and claiming benefit fell by a seasonally adjusted 40,800 in October to stand at 2.03m, the Office for National Statistics said yesterday. The unemployment rate fell to 7.2 per cent of the workforce.

The ONS also painted a brighter picture of job creation. It said total employment rose 87,000 in the second quarter of this year, more than twice the increase it estimated last month. Jobs in manufacturing grew by 13,000 in September to 3.9m.

The figures raised the prospect that unemployment could fall below 2m by Christmas, handing the ruling Conservative party a political boost in the run-up to next year's general election.

Excluding the adjustment for seasonal factors, unemployment has already fallen below 2m – for the first time in more than five and a half years.

October's fall, which was much larger than expected, suggests the decline in Britain's jobless is gathering speed as the economy grows more quickly.

However, the improvement was exaggerated by the introduction of the Jobseeker's Allowance, the new benefits system which has replaced unemployment benefit.

Teething problems with a new computer system at Job-Centres – the state employment bureaux – meant the fall in joblessness was overstated by about 10,000, although this distortion is expected to reverse next month.

As a result, ONS statisticians said unemployment was still falling at an underlying rate of between 15,000 and 20,000 each month.

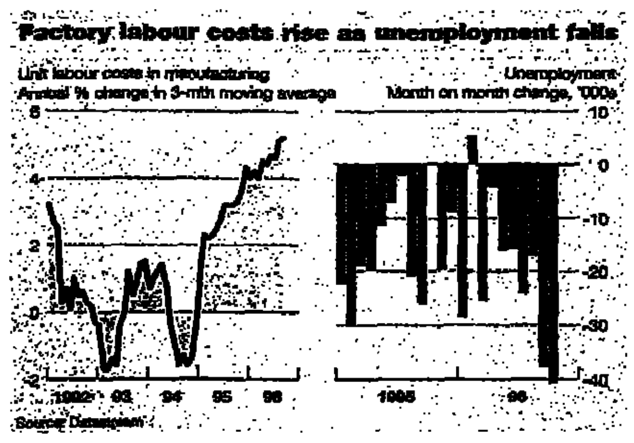
Financial markets were unsettled over worries that faster economic growth may be fuelling inflationary pressures, bringing forward the need for another interest rate increase following last month's quarter point rise to 6 per cent.

The price of UK government bonds, or gilts, fell sharply on the prospect of higher interest rates. Gilts now yield more than Italian government bonds. Financial futures contracts suggest investors expect interest rates to be raised to about 6.75 per cent by next Easter.

The Treasury revealed yesterday that Mr Eddie George, governor of the Bank of England, the UK central bank, warned in September that a quarter-point increase in interest rates would probably not be enough to keep the chancellor on course to achieve his target of 2.5 per cent underlying inflation in two years.

But the figures yesterday showed no immediate signs of surging inflationary pressures in the labour market. Underlying average earnings in the economy grew 4 per cent in the year to September, unchanged from the previous month.

Factory labour costs rise as unemployment falls



Rail freight service to grow

By Charles Batchelor, Transport Correspondent

English Welsh & Scottish Railway, the US-owned company that took over the bulk freight operations of Britain's state network, plans a big expansion of its service specialising in single-wagon shipments around the UK.

Mr Julian Worth, business development manager, said yesterday that new services to include the east coast ports in the company's "enterprise" network would start in January, catering for loads as small as 25 tonnes.

Journey times between Scotland and southern England would be reduced by increasing the average speed of trains by 25kph to 120kph.

EWS has made expansion of single-wagon and part-train services a priority because journeys are normally longer than in its bulk freight business and involve higher value and, therefore, more profitable products. Such shipments account for 80 per cent of the business of Wisconsin Central Transportation, its US parent.

British Rail, the former state organisation, withdrew in 1991 from single-wagon services because of mounting losses. But EWS attaches its enterprise service wagons to trains which are running anyway, thereby keeping down costs.

EWS has carried 500,000 tonnes of single-wagon freight since the service was launched two years ago and is carrying freight at an annual rate of 500,000 tonnes. It has recently begun carrying fluorescent light fittings and fibreboard, both of which require delicate handling.

EWS is keen to develop services that can fit into manufacturers' and retailers' delivery requirements in a market dominated by road distribution.

Virgin rail bid, Page 10

N Ireland pins hope on beef data

Farmers say they have evidence needed for Brussels to cancel export ban

Beef exporters in Northern Ireland are pinning their hopes on a database, unique in the UK, which contains elaborate details of the lives, health and movements of the region's 1.6m cattle from birth to supermarket.

Farmers and government officials in Northern Ireland say the record provides the proof needed for the European Union to exempt the region's herds from the seven-month-old ban on UK beef exports, once suspect animals have been destroyed.

Northern Ireland has had 1,733 cases of bovine spongiform encephalopathy (BSE) since 1988, just over one per cent of the UK total. Only 3 per cent of herds have been affected. Yet Northern Ireland has suffered disproportionately from the ban. Beef production is the core of agriculture, the biggest industry in the region, employing 60,000 people or 8 per cent of the workforce.

Before the ban, beef production was worth £414m, nearly 40 per cent of gross farm output or 4 per cent of the region's GDP. It accounts for 20,000 jobs.

Exports outside the UK represented half of Northern Ireland's beef sales, with the rest split equally between Northern Ireland and the British mainland. For mainland beef producers, exports are 28 per cent of total beef sales.

Mr Greer McCollum, president of the Ulster [Northern Ireland] Farmers' Union, who travelled to London to lobby MPs at yesterday's BSE debate in the House of Commons, said his members could not survive for long with prices more than 20 per cent below pre-crisis levels.

"This is the most critical period of the crisis," he said. "We're looking for some political action, and for the sympathy of our European partners to be translated into something definite."

The Northern Ireland agriculture department has also been lobbying hard, hosting weekly visits by EU and other diplomats to view the database. Germans, French, Spanish and South Africans are among those who have seen the computer in action.

The eight-year-old system – due for a big overhaul soon – matches the number carried on each animal's metal eartag with information on the herd in which it was born, its disease record, every journey it makes from farm to market, its sex, colour and age. Established to tackle tuberculosis and brucellosis, the system now indicates if an animal has belonged to or passed through a herd affected by BSE, with information dating back six years.

But despite the advantages of full traceability, Mr Ron Martin, Northern Ireland's chief veterinarian, fears a breakthrough on exports is unlikely before 1997.

Securing agreement in Brussels on a scheme for certified herds that would be exempt from the ban is taking time. It would guarantee beef came from animals under 30 months old that had never been in contact with herds affected by BSE.

The British government is awaiting results of research into the transmission of BSE from cow to calf before deciding whether to press ahead with a selective cull to eliminate animals most at risk from the disease. These results are not expected until early next year.

There are internal delays, too. Signs that Northern Ireland might be given special treatment have angered Scottish farmers.

Beef is the most important agricultural sector in Scotland and there are fears Northern Ireland might steal its export markets.

Farmers' leaders in Northern Ireland have meanwhile suggested the industry could fund a selective cull in the province to get things moving. But Baroness Denton, Northern Ireland farming minister, said a cull would be futile unless the result was an end to the EU export ban. "We have to be sure it's taking us somewhere."

Alison Maitland

Minister fails to soothe MPs on 'mad cow' crisis

Mr Douglas Hogg, agriculture minister, yesterday faced fierce criticism from all sides of the House of Commons after admitting there was little prospect of an early end to the export ban on British beef, George Parker writes.

Mr Hogg conceded that even if Britain met its side of the deal agreed at the EU Florence summit in June and slaughtered an extra 128,000 cattle, other member states might still refuse to end the ban.

He said consumers and farmers elsewhere in Europe were adamant the ban should stay in place. "We are not going to get from member states a timetable by which an end to the ban will be lifted," he added. His gloomy assessment prompted calls from some Conservative MPs that Britain should resume the ill-fated "beef war" of last summer, where UK ministers tried to get the ban lifted by mounting a policy of non-co-operation in Europe.

Mr Hogg was also attacked by Northern Ireland MPs for failing to table detailed proposals in Brussels for a possible end of the ban on beef from certified BSE-free herds. Then some Conservative MPs attacked the government for failing to compensate companies involved in cattle head de-boning, many of which have been put out of business by the BSE crisis. The government's failure to secure any easing of the beef export ban in the five months since the Florence summit prompted Mr Robin Cook, the opposition Labour party's shadow foreign secretary, to say that "the beef war is the first war in history where we took on the rest of Europe; past governments have made sure that at least we had France or Prussia on our side."

Protests about Crest share system increase

By William Lewis and John Gapper in London

Senior managers of Crest, the electronic share settlement system, are coming under increasing pressure from leading financial institutions over their handling of the City of London's troubled transition from a paper-based system.

Settlement managers of leading investment banks are calling on CrestCo, the company which owns and runs Crest, to agree to meet minimum standards. The move comes after unexpected delays and difficulties that have dogged the system.

The investment banks, including BZW, UBS and SBC Warburg, claim that Crest is working far more slowly and unreliably than they had been led to expect. They have also called for action against a list of smaller brokers they believe have caused delays.

The complaints follow delays caused by software and other problems that have culminated in CrestCo putting back the approximate date on which large stocks are to be transferred to Crest from Talisman, the existing paper-based system.

Some settlement managers believe that the entire transition process, due to be completed in April, should be delayed because Crest is not capable of handling the strain imposed settling trades in all publicly quoted companies.

At a CrestCo board meeting next week, directors are likely to consider a temporary halt to transition to allow further refinements. However, banks are concerned that doing so could further increase their costs.

Mr Iain Saville, CrestCo chief executive, last night said he would be willing to consider signing a minimum standard agreement, but not until Crest was fully operational. "When things have settled down, there will be such an agreement," Mr Saville said.

A settlements officer at one leading bank said that it was taking up to 45 minutes to process settlement instructions that it had been led to believe would take only three minutes.

Lex, Page 16

NEWS: UK

Virgin close to buying rail routes

By Charles Batchelor, Transport Correspondent

Mr Richard Branson's Virgin Group is poised to acquire its first holding in the UK railway network after being chosen yesterday as preferred bidder for British Rail's Cross Country franchise.

If Virgin is confirmed as the new owner within the next few weeks it will take charge of one of the most dispersed parts of the BR network outside London with trains running between Scotland and south-western and southern England.

Most of Cross Country's passengers are travelling for leisure purposes though it also carries some business travellers. The fact that its network skirts London allows passengers to make long-distance journeys without changing trains in the capital.

It provides connections with many regional airports but Virgin said its primary aim was not to create airport links but to develop a leisure and tourist railway. Cross Country will nevertheless strengthen Virgin's hand in marketing its airline services against its main competitor, British Airways.

"We are absolutely delighted to have been selected for one of the key franchises," Virgin said. "This is a railway we can do a lot more with."

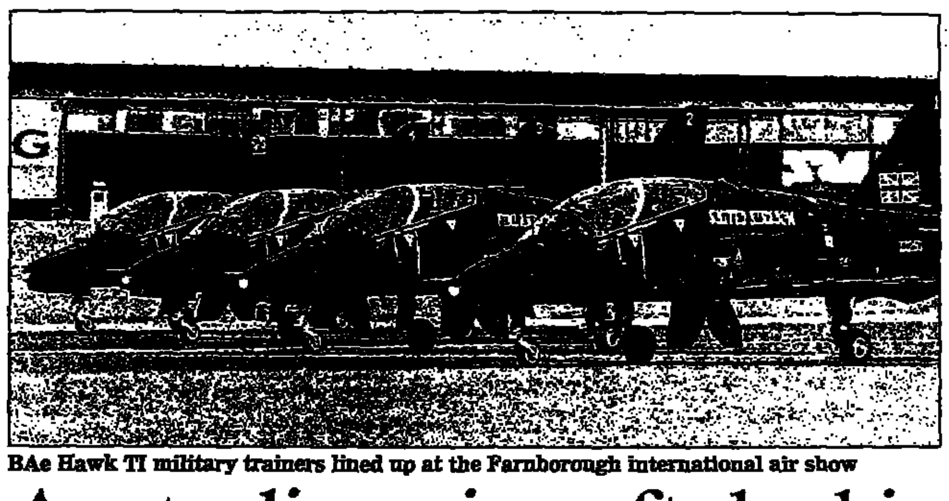
Virgin put in bids for a total of six franchises but was unsuccessful in the competition for the Gatwick Express and Thames Trains companies. It still has bids on the table for West Coast InterCity, West Anglia Great Northern and Thameslink.

Virgin is expected to be awarded a 15-year franchise and is understood to have plans to modernise the 23 express trains operated operated by Cross Country and to buy new trains to replace its ageing diesel fleet.

Cross Country had passenger revenues of £102m ($168m) in the year ended March 1995 and employs 840 people.

The other shortlisted bidders were Great Western Holdings, the management buy-out team which acquired the Great Western franchise, and Prism Rail.

Eurostar, which runs high-speed trains through the Channel tunnel between England and France, is to invest around £10m ($16.5m) to introduce a global ticketing system, Motoko Rich writes. The company, which is owned and operated by London & Continental, the consortium with the contract to build the high-speed rail link between London and the Channel tunnel entrance, wants travellers to be able to book tickets on the Eurostar from anywhere in the world. Mr Adam Mills, chief executive of L&C, said that travellers would be able to buy tickets from 11,000 sites in the UK – and at travel agents connected to one of the four airlines reservation systems.



BAe Hawk T1 military trainers lined up at the Farnborough international air show

Australian aircraft deal is big boost for contractors

By Clay Harris and Roland Adburgham

A £1bn ($1.6bn) order from Australia for 40 Hawk military trainer aircraft could mark the beginning of a new chapter for British Aerospace and its sub-contractors in the UK defence industry.

After two years without an announced order for Hawks – an existing customer bought more aircraft without fanfare in the intervening period – several purchases may now follow in quick succession over the next few months, analysts believe.

BAe has sold 700 Hawks to 15 countries and is seeking new orders from 12, including repeat customers. Another analyst suggested an order from Brunei could be announced before the year-end, with decisions likely soon after from Malaysia and South Korea. Other countries pondering Hawk purchases include Canada, India and South Africa.

Although BAe could not quantify the employment directly related to production of the Hawk, it said the Australian order would help to secure thousands of jobs. Other UK companies almost certain to benefit from the orders are Rolls-Royce, the aeroengine manufacturer, and Dowty Aerospace, part of TI Group.

Analysts said the 12 Hawks to be built in the UK for Australia beginning in mid-1998 amounted to about six months' work at current production rates. The remaining aircraft will be built in Australia, in part by companies owned by BAe.

The Australian order makes it more likely that BAe could sustain an increase in annual production, according to Mr Chris Avery of Paribas. "They are planning on 30 to 36 a year. They would need another order to keep doing it for another two to three years."

The £1bn price tag is BAe's estimate of the order's value over 25 years, including maintenance services and spare parts. The initial purchase price is likely to amount to about £500m. The order is expected to be especially profitable for BAe – carrying a margin of up to 20 per cent – because it privately funded the development of the Hawk 100 and 200 models and it will not have to pay a levy to the UK government for launch aid.

The single-engined Hawk trainer uses the Anglo-French Rolls-Royce Turbomeca Adour engine. Jointly developed in the 1960s for the Jaguar, it has found a number of other applications, including the Hawk. The latest Hawks are powered by the Adour 871.

Court supports Fayed brothers' citizenship plea

By John Mason and John Kampfner in London

Mr Mohamed Fayed and his brother Ali, owners of the Harrods store in London, yesterday won their Court of Appeal fight against the decision of Mr Michael Howard, the home secretary, to refuse them British citizenship.

The ruling was the latest in a series of setbacks for Mr Howard at the hands of the courts, and comes at a sensitive time for the British government. Parliament's independent commissioner for standards has begun an investigation into whether Mr Neil Hamilton, a former government minister, took cash and hospitality from Mr Mohamed Fayed in return for tabling questions to ministers in the House of Commons.

In their ruling, by a 2-1 majority, the judges said Mr Howard had not treated the Fayed brothers fairly when he refused to give reasons for his decision to reject their earlier applications and should therefore reconsider their cases.

However, Mr Howard was given leave to appeal to the House of Lords, sitting as the highest appeal court in England. If the law lords supported the Court of Appeal decision, Mr Howard would have to reconsider the Fayeds' applications. If he again rejected them, he would have to give reasons.

Lord Woolf, the Master of the Rolls, a senior civil judge, said in giving judgment that justice had not been seen to be done to the Fayeds and that their case "cried out for reasons". He added: "They have not had the fairness to which they were entitled and the rule of law must be upheld." Mr Howard's decision should be re-taken in a manner which was fair, Lord Woolf ruled.

Afterwards, a spokesman for the Fayed brothers said: "Mr Mohamed Fayed feels Mr Howard has dogged his steps and he wonders why he appears to be so prejudiced against him. He wants to know why that should be and he hopes that through the process of law, those facts will emerge." He wanted to know why the home secretary had intervened personally in his case on three known occasions.

PM says health care to stay free

The government yesterday ruled out explicit rationing in health care, saying the state health service should remain free and universally available with guaranteed long-term funding growth, Mark Suzman writes.

A new government paper marks the Conservative government's strongest endorsement of the founding ideals of the service.

The paper is designed to highlight the successes of the health service in areas such as reducing waiting lists for treatment while heading off opposition charges that the government has a hidden agenda to privatise the service or reduce its scope.

Mr John Major, the prime minister in effect rules out further radical reforms by a Conservative government, describing the health service in the paper as "part of the fabric" of the nation.

"The government is proud of its commitment to the NHS as a public service, promoting health and offering high quality healthcare to everyone on the basis of need regardless of the ability to pay," he writes.

UK NEWS DIGEST

MPs critical of Japanese deal

The Japanese-led consortium which bought the British defence ministry's stock of housing for married military personnel for £1.6bn ($2.64bn) was yesterday accused by MPs of installing a British war hero as its chairman in a bid to gain acceptability.

Members of the House of Commons defence committee yesterday cast doubt on the merits of the sale of the 57,000 homes, which were bought by Annington Homes, a consortium led by Nomura, the securities house.

Mr Bruce George, an MP for the main opposition Labour party, suggested that Annington's chairman, Sir Thomas MacPherson – a former soldier and holder of the Military Cross – was appointed purely to reassure servicemen who resented the sale of the estate to Japanese interests. Sir Thomas replied there was no question that he or his colleagues on the board were "puppets".

George Parker

■ ACCOUNTING STANDARDS

Share option move postponed

The urgent issues taskforce of the Accounting Standards Board yesterday postponed a decision on whether to go ahead with a new ruling designed to stamp out what was seen as a rare but growing abuse.

The board is concerned that some companies are giving executives free shares as part of their pay but only showing the nominal value of the benefit in the accounts rather than the real value of the shares and the cost to the company. However there has been considerable opposition to the new rule because it may catch a whole range of approved share option schemes. As a result, it could depress the profits of many large companies. The task force decided that the underlying principle of the new rule is correct, but it is to consider whether there are valid reasons for exempting some schemes.

Jim Kelly

■ MICROELECTRONICS

Siemens professorship founded

North-east England's growing involvement in microelectronics is to be further strengthened by the creation of a £300,000 ($495,000) Siemens Chair of Microelectronics at Newcastle upon Tyne University.

Research and development projects will be carried out for Siemens, which is developing a £1.1bn semiconductor plant in North Tyneside, and in related topics for other national and international groups. The professorship, announced yesterday, is funded by Tyne and Wear Development Company (TWeDCo), a private company owned by Tyne and Wear's five councils. TWeDCo is financed by income from its portfolio of industrial properties and land and provided Siemens' 42 ha site.

Chris Tighe, Newcastle upon Tyne

■ CAR SALES

Jaguar hopes to beat record

Worldwide sales of the new Jaguar XK8 sports car, launched last month, totalled 1,835 cars in the month.

That took total sales by Jaguar, a Ford subsidiary, to 4,385 cars last month, or 39 per cent more than in October 1995. The company sold 847 XK8s in the US last month, which was a record for its sports models. It said it still hoped narrowly to beat last year's total world sales of 39,700 cars.

Haig Simonian

■ HOLIDAY TRAVEL

Britons seen as more adventurous

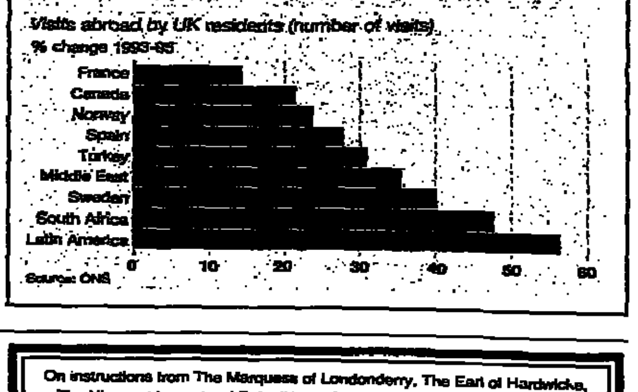
British travellers are becoming more adventurous in their visits to other countries, with a sharp increase to destinations such as South Africa, Latin America and Turkey.

France and Spain remained the two most popular destinations last year, accounting for more than 40 per cent of visits according to a report on travel trends published by the Office of National Statistics yesterday. But the allure of cheap long-haul travel has boosted visitor numbers to South Africa and Latin America. South Africa has attracted greater numbers of visitors following the introduction of democracy and last year's staging of the Rugby World Cup.

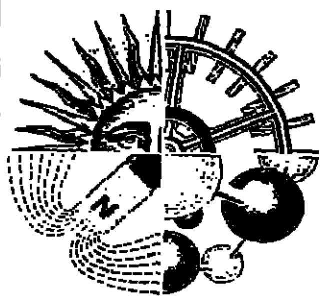
Scheherazade Daneshkhu

Farther and wider

Visits abroad by UK residents (number of visits) % change 1993-95



Worth Watching · Vanessa Houlder



Clean advantage in transport

Fuel cells which produce energy from the reaction between hydrogen and oxygen are showing promise as a clean energy source. Daimler-Benz, for instance, is testing a prototype of a car powered by a fuel cell that emits only water vapour in its exhaust.

But the efficiency of fuel cells must improve if they are to become commercially viable. Researchers at the Fraunhofer Institute for Applied Polymer Research in Germany believe they have taken a step forward by improving the quality of the cell's membrane, a thin layer which separates the hydrogen and oxygen while promoting the reaction between them.

The new membrane has good durability, conductivity, permeability and ion-exchange capacity. It is cheaper than conventional materials.

Fraunhofer Institute for Applied Polymer Research: Germany, tel 332846563; fax 332846321.

Lighter view of laptops

The UK subsidiary of Merck, the German chemical company, has developed an optical film for liquid crystal displays that could help in developing the use of smaller, lighter batteries in laptop computers.

The Transmax film is a "reflective polariser", which works by repeatedly reflecting and depolarising light. It allows 70 per cent of the light to be transmitted; traditional polarisers achieve only 35 to 45 per cent transmission.

Since the film allows more light to be transmitted, it would permit LCD manufacturers to use lower power lamps and smaller batteries, while keeping the same brightness. Alternatively, they could increase the brightness of the display, which might lead to new applications for LCD monitors, including desktop computers. Transmax is based on technology originally devised by Philips in the Netherlands.

Merck: UK, tel (0)1202 669700; fax (0)1202 665599.

The sound of progress

A hi-fi speaker that could be mounted on a wall like a picture would have some clear advantages over bulky, free-standing models. But designing wall-mounted speakers presents technical difficulties, notably concerning the interference from sound reflected off the wall.

Now Noise Cancellation Technologies, a Maryland-based company, has used its expertise in noise control systems to develop a flat, 4cm deep wall-mounted loudspeaker which it plans to launch next year.

The loudspeaker uses piezo ceramic actuators in its membrane. These control the vibrations of the panel in a way that prevents reflection and interference from the rear while allowing sound to radiate from the front.

Noise Cancellation Technologies (UK): UK, tel (0)1223 424898; fax (0)1223 425265.

Map for fast movers

Estate agents and solicitors may be able to get quicker, cheaper access to maps for surveys and conveyancing, using digital satellite technology.

A pilot project, backed by the Department of Trade and Industry, is being set up to demonstrate a technique that can download a 1MB digital map at a speed of 2 Mbits per second for less than £1.

The system, which was devised by Intergraph, an interactive computer graphics systems company, and Esys, satellite systems engineers, uses a consumer satellite dish attached to a standard PC.

Intergraph (UK) Ltd: UK, tel (0)1793 619999; fax (0)1793 618508.

Water wings

Christopher Parkes finds a British inventor splashing about with some serious ambitions

Amos Nachoum

Flight path: Deep Flight I was piloted from the drawing board to the ocean surface by Graham Hawkes

Once around the Monterey Bay, frolicking briefly in 10m of water among California's sea lions, and Graham Hawkes has his head above water again. "That's it," he proclaims. "Proof of concept."

Deep Flight I, his prototype single-handed submersible has "flown" under water for the first time in public after 20 years of often painful efforts to get off the drawing board.

Deep Flight II, designed to scoot about in the depths of the Pacific's Mariana Trench – the deepest known place on earth – can be ready in 18 months, he says. But first he needs $7m (£4.3m) to build the machine, and he is bracing himself to tap the resources and good will of his neighbours among the more conventional technology companies of Silicon Valley and California's aerospace industry.

Last month's proof of his concept that it is possible to "fly" a submerged lighter-than-water piloted vehicle, rolling and manoeuvring on stubby "wings" and powered by twin turbine-style thrusters and a half-dozen lead/acid batteries, is Hawkes's riposte to conventional wisdom. This dictates that remote operated vehicles or negative-buoyancy machines will provide all the access needed for exploring deep oceans.

"We have robots and manned things that sit on the bottom, but we need all the tools in the box," he says. For example, no existing equipment offers the manoeuvrability or the "viewing range offered by Deep Flight.

Although the glass/epoxy microlight prototype is designed to descend to 3,000ft and could even survive safely at 12,000 feet, it is unlikely ever to go that deep, he says. "What's 1,000ft or 3,000ft when you're going for 37,000ft," he argues.

Deep Flight II, designed to dive safely to twice that depth, or more than 70,000ft, will be built mainly of alumina ceramics, four times as strong as steel, and developed and tested at US Navy research laboratories for classified military purposes.

Despite its appearance, Deep Flight is more closely related to the diving suit. Although it lacks the tactile facilities of a suit, and the submariner operates from a prone position, it is easily manoeuvred to stand up on its tail, allowing the pilot an all-round view from the acrylic-domed nose. "Once you're inside, looking around, the claustrophobic feeling disappears," he says.

Among claimed advantages over other projects, such one in Japan which has industrial and government backing, is Deep Flight's transportability. "Conventional equipment is so big and heavy and specialised that each machine needs its own mother ship," he says. "Deep Flight can go anywhere on virtually any ship."

At an estimated full-production cost of $5m each, it should be affordable for applications beyond Japan's programmes for ocean science, deep-sea fisheries and biotechnology research, he claims.

The 49-year-old British-born engineer and explorer, who holds the world record for the deepest solo dive in Deep Rover, his last commercial submersible, has spent his career designing and building successful underwater machines.

In Britain, he co-founded OSEL, the Great Yarmouth-based specialist. His main business, Deep Ocean Engineering, based near San Francisco, now generates annual revenues of $3m from manufacturing remote-operated vehicles for undersea exploration and engineering applications. He also runs Deep Sea Discoveries, a commercial marine archaeology company. But his heart is in Hawkes Ocean Technologies, a separate business which serves as an incubator for Deep Flight and other dream projects.

His persistence is fuelled by associates such as Don Walsh, who, in 1960 with Jacques Picard, piloted the US Navy's bathyscape Trieste to the bottom of the Challenger Deep, off Guam.

Bruce Robieson, a leading deep-sea explorer and senior scientist at the Monterey Bay marine research institute, argues persuasively that Deep Flight opens the way to "revolutionary scientific discoveries". Mobility at depth will expand the range of the possible, he says. "In the past we have been able to do only very precise, point-of-focus work on areas such as ocean current movements."

The Hawkes machine would mean that large underwater features such as volcanoes or canyons could be surveyed in a few dives. Scientists would be able to swim with and observe migrating whales and other sea mammals instead of tracking them with acoustic pingers.

The inventor's ambitions for the machine also focus on his own interest in research, environmental work and exploration. Much of his backing has come from sponsors such as Rolex, which traditionally associates its watches with adventurers, and film-makers.

Even if heavy industries remain on the sidelines, his ambitions, which extend to a paired configuration of vehicles for undersea work, also embrace intriguing alternatives. These include a recreational submersible, the Hydrohawk, a sleek "hydrobatics" runabout for those wishing to loop the loop 1,000ft down. Also along the line is the Hydrotour, a 12-seater with an acrylic viewing dome for each passenger, designed to be towed underwater behind a surface boat in areas such as Australia's Great Barrier Reef.

"This is what happens when you start dreaming again," Hawkes says, without much conviction. An underwater tour bus may be a realisable fancy, but it is a far cry from the dream which started him on his voyage to the bottom of the sea.

Model view of disease

Drugs for psychiatric and mood disorders are particularly expensive to develop, because few human or animal models are available to evaluate experimental medicines before clinical trials are held.

Neuraxis, a new company based at Manchester Science Park, aims to cut development costs by providing healthy human volunteers for psychiatric drug testing.

"The essence of our approach is to bring psychiatric symptoms under laboratory control," says Bill Deakin, professor of psychiatry at Manchester University, whose laboratory has produced the first disease models used by Neuraxis.

Most advanced are the models of anxiety and panic disorders. One involves playing subjects a series of quiet neutral sounds through earphones, followed by a loud blast of white noise. Then the sequence of tones is repeated, and the volunteers become increasingly anxious as they anticipate the next the loud blast.

The volunteers, who are typically students, are wired up to various instruments that measure changes in their brain activity, skin temperature, heart beat and other indicators of anxiety.

Fifteen potential drugs have been tested in this way, Deakin says. The drugs' effects on healthy volunteers mimic their impact on patients who suffer from extreme anxiety – panic attacks,for example.

Neuraxis is a joint venture by Cerebrus, a specialist neuroscience company started last year, and Medeval, a contract research company owned by Manchester University.

The overall strategy is to offer pharmaceutical companies a combination of animal and human tests, so they can evaluate the efficacy of candidate drugs before carrying out clinical trials with patients.

Clive Cookson

ARTS

Cinema

From trophy hunt to trophy wife

TRUE BLUE
Ferdinand Fairfax

THE FIRST WIVES CLUB
Hugh Wilson

THE DAY THE SUN TURNED COLD
Yim Ho

It is a grim week for American manhood at the movies: both the pumped-up, worked-out, preening version of the species, plotting dastardly deeds on the icy waters of the Thames, and its older, more rotund counterpart, fighting middle-age torpor with the no less ignoble ploy of ditching his wife for a younger model.

The journey from trophy-hunt to trophy wife makes shameful viewing; but one almost ends up feeling sorry for the testosterone-charged hunks who are so neatly undone by good old-fashioned British resolve in one instance, and a sassy triumvirate of feminine wiles in the other.

First, the downfall of the youngsters: *True Blue* tells the story of the 1987 Boat Race, a morality tale so rich in conflict and paradox that it could hardly fail to make gripping cinema.

We start at the beginning of the academic year with an Oxford crew which has just been humiliated by the "Tabs" (not a Cola, but taken from "Cantabs", otherwise known as The Other Place or just plain Cambridge).

Unfortunately, it occurs to no-one to turn to good old-fashioned British resolve straight away, so revenge is hatched with the aid of four strapping American oarsmen and a cox who suddenly acquire the academic ability to make the journey from Olympic training camp to fusty common room.

Their easy-going, swaggering manner is infectious; no matter that they use each occasion on which they bump their heads in the dank college corridors (and there are a few) to rant against British architecture and scholarly tradition in general.

But a metaphor lurks here. For soon, the Americans believe that they know better than their coach, Daniel Topolski (Johan Leysen) and the up-standing president of the Boat Club, Donald Macdonald (Dominic West).

The rebel leader, Dan Warren (Josh Lucas), wears a Superman shirt in training to make his point gently, but soon he resorts to more explicit condemnation of Topolski's training regime, which turns from "Victorian!" to "medieval!" in the space of a couple of sit-ups.

The conflict between stern Brit amateur values and crisp Yank professionalism (neither as straightforward as they seem) simmers, and then boils over. But one of the great things about Oxford is that there is always a Jesuit priest around when you need one...

The dramatic resolution of *True Blue* does not disappoint; it is considerably more exciting than any boat race you might have seen live on television (though one could do without the over-synthesised soundtrack). In fact, given the necessarily corny lines, there is some fine playing (and rowing) throughout this ripping yarn of a film, and director Ferdinand Fairfax skilfully balances the poetry and the grind of early mornings on the river.

But I wonder if screenwriter Rupert Walters has pulled any of his punches, perhaps with a US audience in mind; the all-American boys here do not appear nearly so obnoxious as to have caused such a historic rupture in this ancient sporting fixture. Or perhaps they were right all along?

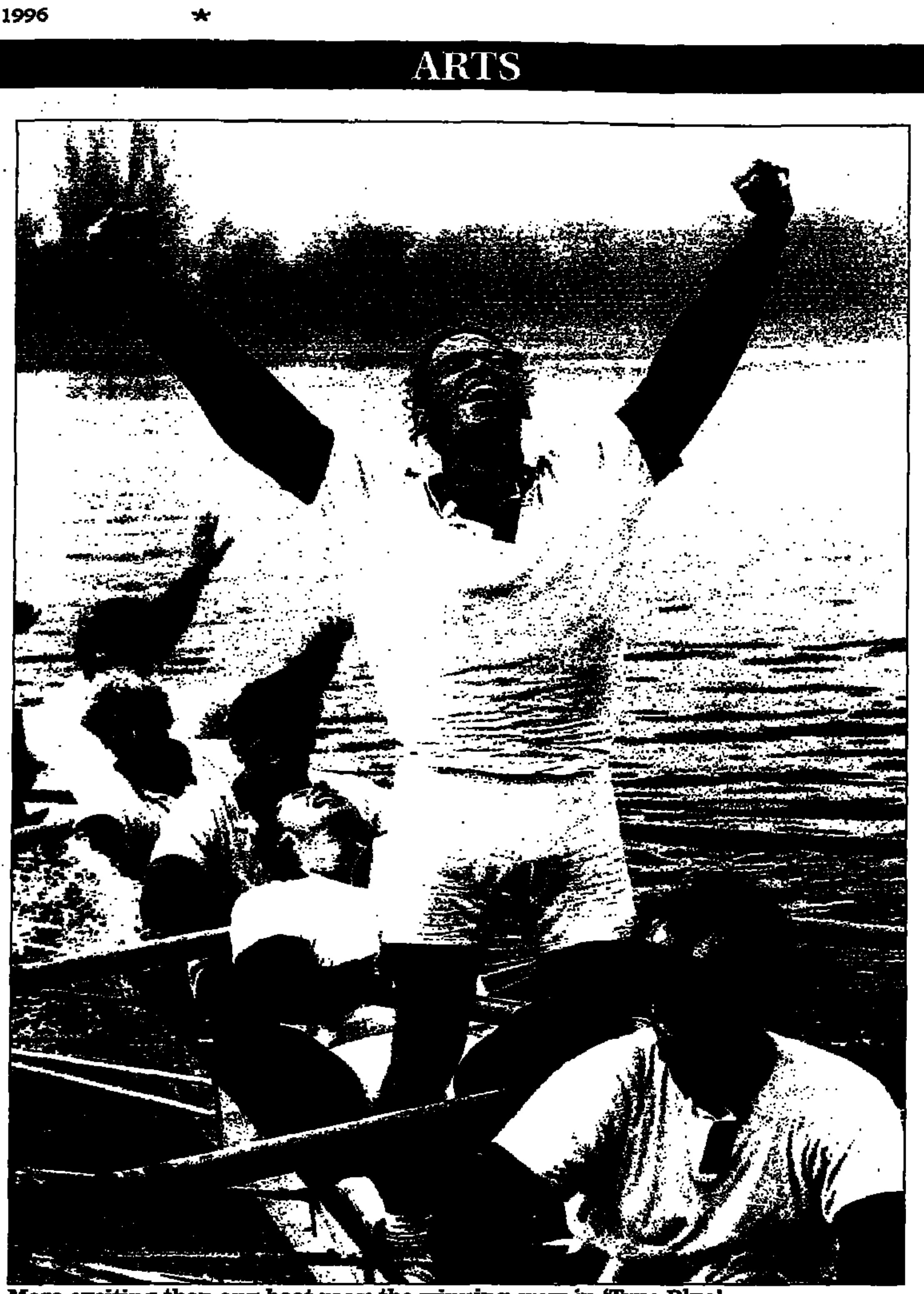
★

Plenty of obnoxiousness, by contrast, in *The First Wives Club*, in which those wanderlusting men abandon their fiftysomething wives for the kooky charms of their young mistresses. The wives, old chums from college days, put their heads together to gain revenge; only we are not talking boat races here, but the much more entertaining business of total humiliation.

The premise of Hugh Wilson's lame comedy is sound enough, and his cast of Bette Midler, Goldie Hawn and Diane Keaton is expert enough to cruise through the film without undue over-exertion. Opening exchanges are promising – Midler's wholesome, battle-axe matriarch, Hawn's gracelessly-ageing movie star and Keaton's over-wrought executive are fashionably self-referential portrayals – but what sinks the whole outing is the absence of plot twists and some truly flaccid slapstick.

At least the film has the grace not to attempt a wildly implausible triple reconciliation, but just when you think you have escaped lightly, there is a blood-curdling musical finale which suddenly transfers your affections to the philandering husbands, which is surely not what is supposed to happen at all.

Peter Aspden



More exciting than any boat race: the winning crew in 'True Blue'

A society's cultural variety should always be cheered, not least when at risk from being swallowed by another, more homogeneous neighbour.

Yim Ho's *The Day The Sun Turned Cold* is the best Hong Kong film since *Chungking Express* and could have been made on a different planet from it. In place of a bittersweet romance and wackily gyrating camera, Yim gives us a period murder tale that could have been filmed in a new process – Claustrophoboscope – and actually was filmed and set in Hong Kong's imminent takeover neighbour, China.

After an orthodox-seeming prologue, in which the son (Tao Chungwa) goes to the police claiming that his unfaithful peasant mother (Siquin Gaowa) has murdered his brutal father, we flashback to what really happened in the steam-choked home in a shanty village, where Ma makes beancurd (alias tofu) and Pa gets drunk.

Or then again did it really happen, whatever it was? Or can flashbacks themselves delude, especially in a setting where we can hardly see our forensic evidence in front of our faces?

Yim has a wonderful sense of place, and of the pressure of place. Spears of light try to rout choking veils of vapour inside, and when we venture outside we find more claustrophobia. However zealously the characters seek to elude or wrongfoot destiny, imprisoning traps await them. The mother falls in love with a rescuing woodman after falling down an ice hole. The father's home from home is the hospital, where he tries to recover from his wife's chicken stews. (Are they spiced with arsenic or not?) And even the film's sleigh-riding scenes, spectacularly filmed, seem to inhabit a world of wall-to-wall, floor-to-ceiling whiteness.

A little grim comedy is offered by Yim's portrait of weary policemen, measuring the latest human atrocity in Mao's Utopia. But as Yim's more recent Berlin prize-winning film testified – *The Sun Has Ears*, also about murder, jealousy and opaque climatic conditions – you do not go to this man's film's to laugh. You go to gape in wonder at a world where love and hate, hope and despair are symbiotic twins, wrapped in swaddling mists of unknowing.

Nigel Andrews

Concerts in London

More stomp than march

The abiding memory of the Vienna Philharmonic Orchestra's latest visit to London will not, unfortunately, be the touch of Viennese charm it brought to its encore, the waltz from *Swan Lake* – undeniably persuasive though that was. Nor will it be the impression of a crack orchestra breathing as one in the operatic drama of Liszt's first *Mephisto Waltz* before the interval. No, what stamped Tuesday's concert on the retentive cells was Sir Georg Solti's brash and tasteless treatment of the third movement in Tchaikovsky's *Pathétique* Symphony – ample proof that age has not tempered the abrasive side of Solti's artistic temperament.

More a goose-step than a symphonic march, the music was driven, clipped and drilled in Solti's most manic style. Forget about the pathos intended by Tchaikovsky – the whole performance sounded slick and superficial. It lacked what the Germans call *Klangrede*, the music had no chance to speak. The point about the march is that the steadier the tempo, the more powerful and unstoppable the music becomes. Solti made it sound like a chrome-plated Cadillac whizzing down the street with Tchaikovsky's body in the back. Even the finale was insufferably breathless.

The mystery is why this symphony appeared on the programme in place of the advertised Schubert Ninth. To hear the Vienna Philharmonic in any repertoire is a privilege indeed, but its distinctive quality is to uphold an unbroken line of Viennese tradition, and that tradition can best be heard in the Viennese classics – of which there are more than enough to fill 10 times the number of concerts this orchestra gives at the Royal Festival Hall each season. In that context, the Tchaikovsky represented just another orchestral blockbuster, to which the Viennese brought no special insight.

A great orchestra? Unquestionably so, as its unanimity of spirit, its gently harmonised woodwinds and the sweetness and depth of string tone constantly demonstrated. But those qualities are evident no matter who is on the podium; here they were being forced into a virtuoso conductor's mould. So this was not one of its great collaborative efforts with Solti, whose style has so often in the past proved a rich counterpoint to those special Viennese virtues.

At least *someone* on stage understood the idiom of Bartók's *Divertimento*, which opened the concert. Solti has this music in his bones, and his inclusion of it was a worthy tribute to the Viennese strings. But despite his lucid attempts to help them digest it, the performance was stiff and dutiful – several stops short of the fervour, intensity and rustic wit it demands.

Andrew Clark

Sounds of Copenhagen

Clerkenwell, or more exactly its Church of Our Most Holy Redeemer in Exmouth Market – handsome proportions, somewhat dilapidated – has fallen into the habit of celebrating each successive year's European Capital of Culture. This enables the composer Roger Steptoe, who directs this Clerkenwell Music Series, to mount a great many excellent concerts devoted to the music of each chosen country and its performers.

The actual capital need not figure large. This year, however, it is Copenhagen; no problem there. Danish classical music just *is* "music from Copenhagen", wherever its composers and performers happened to be born. And Steptoe has brought up so rich a haul of programmes – older Danish music, especially Nielsen and Schumann's friend Niels Gade, and many modern works, and Danish artists playing international repertoire – that one wondered why neither the South Bank nor the Barbican hit upon this excuse for holding a Danish mini-festival.

Last Thursday Ronald Corp conducted the New London Orchestra in Gade's opus 1, his "Echoes of Ossian" Overture from 1840: well-made and appealing, a modestly original voice. Young Irène Theorin lent her large, lustrous soprano to Delius's *Seven Danish Songs*, which in Our Holy Redeemer's overripe acoustic sounded wonderfully luscious and expiring.

The Marriage of Heaven and Hell was commissioned from Bo Holten (b. 1948) for the BBC Singers, who delivered these subtle Blake settings with true pitch – white-note clusters and all – and unanimous feeling. Some feeling also of Britten; besides the delicate white-note clottings, Holten too sets "O Rose, thou art sick", though without Britten's indrawn, anguishing accents. Holten's version of "Tyger, Tyger, burning bright" was held within a tight musical form: more objective than visionary, therefore, but exactly telling.

What had chiefly drawn me to the concert was Nielsen's late-ish cantata *Springtime on Funen* (1921, written halfway through his burgeoning 5th Symphony), which I had never heard performed live. Its mock-simple score – the subject is folk-festivities on his native island – fairly breathes a mature, distanced affection for an innocently lost culture.

Though Corp struck most of the right notes, the sumptuous acoustic was a nuisance. Nielsen's music is always *lean*, both of line and in density; the sonorous halo that Our Most Holy Redeemer bestowed upon *Springtime* rendered it almost bland, though still good to hear. One of these days, a performance in our dry old Festival Hall would be very welcome indeed.

David Murray

Danish concerts every night until Saturday, at Our Most Holy Redeemer's in Clerkenwell, London EC1.

Dance/Clement Crisp

Jumbo pearls from Lebanon

Even if it is apocryphal, Queen Alexandra's observation after some eager but artless display – "So kind, and all in national costume, too" – seems the best comment about *Elissa, Queen of Carthage*, enthroned at the Peacock Theatre, London WC1 this week.

The enterprise is owed to the Lebanese troupe, Caracalla Dance Theatre. It ill becomes anyone to speak other than with respect for an artistic organisation that has survived the past tragic decades of Lebanon's history. I report merely that the evening is of radiant innocence, and is not best to be savoured – even on terms of wildest kitsch – save by those interested in the renaissance of Lebanese theatre.

The setting is Tyre in the ninth century before Christ. The drama – a triumph of the inconsequential – concerns a throne divided between Elissa (who is also Dido) and her brother Pygmalion. Costuming is richly improbable in Cecil B. de Mille fashion: crowns like over-ambitious tea-pots; tinselled fabric in deep mauve and gold; Assyrian beards, and hats even more Assyrian.

There is a chap with a hurricane lamp, a mermaid, so much dry ice that it recalled the peasoupers we used to know, hollow laughter, villains taking to drink, the building of Carthage (six bricks and a tea-trolley), grunts from the men, and tremendous enthusiasm from everyone on stage. The score is cheerful, and makes slight but misguided borrowings from Delibes.

The narrative is explored – with some difficulty – in energetic gesture that would not disgrace Theda Bara or Francis X Bushman, and there is a great deal of running about. Choreography is not quite the word I would first use to describe the style, and why anything happens really does not matter, even if you can make sense of it.

It is the belief of the performers and the lambent naivety of the means that tugs the viewer along. I still don't understand why Elissa should want to swap a casket of unlikely pearls for a cow-hide wrap when she lands in North Africa. (Part of Elissa's problem, I suspect, is that her retinue of women contains some chaps in frocks: perhaps she is aiming to be *Priscilla, Queen of the Desert*).

Towards the end of the evening, the narrative is tossed to one side – Elissa having taken to self-immolation – and we see a merry chunk of folk-lore showing a Lebanese wedding: the bride (so says the programme) quick to accept the groom when she learns of his wealth – which is Elissa's casket of jumbo pearls coming round for a second time.

It is all very different, and – to quote her late Majesty – all in national costume, too.

INTERNATIONAL ARTS GUIDE

BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Symphony No.8 in E flat major: by Mahler. Conducted by Vladimir Ashkenazy, performed by the Deutsches Symphonie-Orchester Berlin, the Rundfunkchor Berlin, the Kölner Rundfunkchor and the Tölzer Knabenchor. Soloists include Julia Varady, Pamela Coburn, Laura Aikin, Jane Henschel, Reinhild Runkel, Frederic Kalt, Anthony Michaels-Moore and Kwangchul Youn; 8pm; Nov 16, 17

■ BONN

OPERA
Oper der Stadt Bonn Tel: 49-228-7281
● Oper der Stadt Bonn: with conductor Renato Palumbo perform Mascagni's Cavalleria Rusticana and Leoncavallo's I Pagliacci. Soloists include Kathleen McCalla, Shpresa Spaho and Rhonda Ingle; 4pm; Nov 17

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Robert Holl and Oleg Maisenberg: the bass and the pianist perform Schubert's Selige Welt, D743, Der Schiffer, D536, Wie Ulfru Fischt, D535 and other works; 8pm; Nov 17

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● Festival Orchestra: with conductor Mark Armstrong, soprano Mary Callan Clarke, oboist David Agnew and the Three Irish Tenors – Paul Hennesy, James D. Nelson and Niall Morris – perform popular classics from musicals, opera and operetta; 8pm; Nov 17, 18

■ FRANKFURT AM MAIN

CONCERT
Alte Oper Tel: 49-69-1340400
● Frankfurter Museumorchester: with conductor Sylvain Cambreling, soprano Alexandra Coku, mezzo-soprano Margit Neubauer, tenor Hans-Jürgen Lazar, bass-baritone Detlef Roth, pianist Susanne Grützmann, the Frankfurter Kantorei and the Frankfurter Singakademie perform works by R. Schumann and Mendelssohn; 11am; Nov 17, 18 (8pm)

■ HAMBURG

OPERA
Hamburgische Staatsoper Tel: 49-40-351721
● Khovanschina: by Mussorgsky. Conducted by Sebastian Lang-Lessing, performed by the Hamburg Staatsoper. Soloists include Elena Zaremba, Hanne Krogen, Paata Burchuladze and Patrick Raftery; 6pm; Nov 17

■ LOS ANGELES

EXHIBITION
Los Angeles County Museum of Art Tel: 1-213-857-6000
● Ancient Art from the Shumei Family Collection: this exhibition features over 290 works of art from a broad geographical area, including China, Afghanistan, Iran, Egypt, and Greece. Highlights from the collection include an inlaid silver image of the Egyptian god Horus, a gold vessel adorned with heads of bulls from the Marlik region of Iran, a gilt-bronze and jade Chinese pendant from the 3rd-2nd century B.C., a selection of 12th-13th-century Persian ceramics, and a rare late 16th-century Islamic carpet; from Nov 17 to Feb 9

■ MADRID

CONCERT
Auditorio Nacional de Música Tel: 34-1-3370100
● Orquesta Sinfónica de Madrid: with conductor Maximino Zumalave and pianist Enrique Pérez de Guzmán perform works by Schubert, Beethoven and Tchaikovsky; 10.30pm; Nov 15

■ MUNICH

CONCERT
Cuvilliés-Theater – Altes Residenztheater Tel: 49-89-296836
● Wind Ensemble of the Bayerisches Staatsorchester: perform works by Monteverdi, Bull, Vivaldi, Handel and Howarth; 11am; Nov 17

OPERA
Nationaltheater Tel: 49-89-21851920
● La Damnation de Faust: by Berlioz. Conducted by Marc Albrecht, performed by the Bayerische Staatsoper. Soloists include Jeanne Piland, Vinson Cole, Alan Titus and Harry Dworchak; 8pm; Nov 17

■ NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Chamber Orchestra of Europe: with conductor Nikolaus Harnoncourt perform Beethoven's Symphony No.4 in B flat Major, Op.60 and Symphony No.5 in C minor, Op.67; 8pm; Nov 16

EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● Pictorialism into Modernism: The Clarence H. White School of Photography: although widely acknowledged as a photographer, Clarence H. White's teaching is much less well known. This exhibition examines the work of White's students, including Margaret Bourke-White, Dorothea Lange, Laura Gilpin, Ralph Steiner, and Karl Struss, examining White as a teacher and mentor; from Nov 15 to Jan 12

MUSICAL
Richard Rodgers Theater Tel: 1-212-307-4100
● Chicago: by Kander and Ebb. Directed by Walter Bobbie. The cast includes Bebe Neuwirth, Joel Grey, Marcia Lewis and James Naughton; Tue - Sat 8pm, Sun 3pm, Wed, Sat 2pm; from Nov 14 (Not Mon)

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Così fan Tutte: by Mozart. Conducted by James Levine, performed by the Metropolitan Opera. Soloists include Fleming, Mentzer, McLaughlin and Groves; 8pm; Nov 16

■ PARIS

OPERA
Théâtre du Châtelet Tel: 33-1 42 33 00 00
● Oedipus Rex: by Stravinsky. Conducted by Christoph von Dohnányi, performed by the Philharmonia Orchestra and the Choeur du Théâtre du Châtelet. Soloists include Philip Langridge, Michelle Deyoung and Franz-Josef Kapellmann. Part of the Stravinsky Festival; 7.30pm; Nov 17 (5pm), 19, 21, 23

■ SAN FRANCISCO

CONCERT
Louise M. Davies Symphony Hall Tel: 1-415-864-6000
● Mass in B minor, BWV232: by J.S. Bach. Conducted by Ton Koopman, performed by the Amsterdam Baroque Orchestra. Soloists include soprano Roberta Invernizzi, alto Elisabeth von Magnus, tenor Gerd Türk and bass Klaus Mertens; 8pm; Nov 16

EXHIBITION
M.H. De Young Memorial Museum Tel: 1-415-750-3600
● The Enjoyment of African Art: Masks and Sculptures from The Michael R. Heide Collection: exhibition saluting this recent addition to the museum's permanent collection of African art; from Nov 16 to Apr 13

■ VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Andrea Chenier: by Giordano. Conducted by M. Armiliato, performed by the Wiener Staatsoper. Soloists include Luciano Pavarotti, Anna Gonda, Nelly Boschkowa and Heinz Zednik; 6.30pm; Nov 17

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FT Business Morning

10.00
European Money Wheel
Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Peter Martin

A premium on relevance

Consolidation among insurance companies is unlikely to solve the problem facing the industry: that their customers have a more informed view of risk

What is the point of insurance? The question is a serious one: the humdrum business of providing life and general insurance is *one of the most important* sectors in the developed world's financial services industry, employing many hundreds of thousands of people and tying up large amounts of capital.

Yet it is increasingly threatened by a crisis more pervasive than price-cutting or cross-border competition: a crisis of relevance.

This is the pressing issue *that the wave of insurance* consolidation – symbolised by Tuesday's merger between Axa and Union des Assurances de Paris – has failed to confront. If the industry fails to come to terms with it, the value of an important sector of the world's stockmarket capitalisation is questionable.

Traditionally, insurance has had two aspects: sharing out unpredictable risks and saving for the inevitable. Both are under threat. The challenge comes in part from technology, in part from the growing sophistication of the developed world's savers. But the underlying threat is more subtle: it stems from a shift in our understanding of the nature of risk.

Some risks are genuinely unpredictable. Natural disasters fall into that category. So do some man-made events, such as traffic accidents involving pedestrians. Sharing out such risks makes sense. Yet for almost all of its existence the insurance industry has gone *beyond pooling the risk of* the truly unpredictable. Instead, it has exploited our ignorance of just how predictable many risks actually are – or can be made to be.

Because risk has been crudely, rather than precisely, priced, many categories of insurance have been a form of gamble: policyholders bet they will get out of the insurance relationship more than they put in. The gambling nature of the relationship accounts for the growing incidence of insurance fraud: if the fruit *machine fails to produce an* appropriate payout, policyholders are increasingly *willing to tilt it in their* favour.

Fraud is not the only way the insurance industry's tacit bargain with its customers is breaking down. Another factor is technology: powerful computers allow car insurers, for example, to predict ever more *accurately* the likely accident rate of ever narrower categories of drivers. Similarly, more reliable medical examinations – soon, no doubt, to be supplemented by genetic testing – make it easier to predict the future health-insurance claims of any individual policyholder.

Probably the most important factor, however, is a shift of attitude, best *summed up as a dwindling* of fatalism. A culture that believes in causality has looked at insurance, and concluded that the responsibility for risks previously regarded as Acts of God can be rather more precisely attributed. Even those risks that are unpredictable often have consequences which can be identified and priced appropriately, as owners of tornado-prone coastal properties in Florida and subsidence-afflicted houses in north London have found.

Another way of looking at this shift in attitude is to see it as a move towards individualism, undermining the collectivist ethos of insurance. Why should I pay the same premiums as my neighbour when I am manifestly a better bet? And, as financial markets increasingly come to embrace the sophisticated segmentation and analysis of risk, why *should I continue to pay* premiums to an insurance industry which has not changed its fundamental approach to the subject for centuries?

The growing willingness of the industry to compete in unorthodox ways is gradually putting this shift *in attitude into daily business* practice. By refining risks, the price-oriented direct insurers, *such as* Direct Line in the UK and its host of imitators, can offer their carefully selected customers a much better bargain. Others must pay more. Risk is at last being properly priced.

What happens when policyholders must pay an appropriate price for risk? The first reaction is protest, *the second* the demand for subsidy. In the short run, this can have an effect. *Government can force insurers* to hold down rates or aggregate risks; or it can insure the risk itself. In the long run, however, coercion merely results in a shortage of underwriting capacity – as states such as California have found. And, for all but a bare minimum of cover, socialisation of risk becomes politically or fiscally unacceptable.

In short, the first traditional role of insurance, the sharing out of unpredictable risks, is under threat. Demand for insurance products will gradually be constrained by the certainty that risk will be properly priced. Once the possibility of a windfall vanishes, customers *will balance the decisions* they make between "self-insurance" – that is, *no insurance – and paying* for coverage. Companies that are able to refine their risk analysis will survive, though in time the bonus they currently get from the relative crudeness of their rivals' calculations will be competed away. Insurers which stick to large-scale aggregation of risks will find themselves carrying an ever-increasing proportion of bad risks – and suffering a long-term erosion of profitability.

The second traditional role of insurance, saving for the inevitable, is also under threat. Again, a changing assessment of risk is part of the issue. The appeal of the insurance industry's savings products has relied on policyholders' unwillingness to expose themselves to the risks of direct investment in securities: risks of fraud, of ignorance, of short-term fluctuations. The growth of a well-regulated managed funds industry has eliminated many of these concerns; the education of the investing public has helped, too.

Most important, however, *has been the way in which* the financial services industry has commercialised the *past generation's revolution* in academic financial theory. Index funds, the instrument of this process, have opened up the possibility of low-risk diversified portfolios of investment – precisely the service which the insurance industry's traditional savings products provided, *but at a much lower* cost. Meanwhile, fiscal pressures on governments have helped to reduce the tax privileges that were another source of the insurance industry's appeal to savers.

The industry is aware that something is going on: its rush for scale is a response. That may be the wrong answer, however. It risks creating larger *versions of the corporate structures* which are themselves part of the problem, with all *the difficulties of communication* and co-ordination that global scale imposes.

Scale is largely irrelevant to the industry's real problems. Instead, successful insurers will focus on the areas where they can genuinely add value: the accurate pricing of unpredictable risks, the collective protection of individuals against catastrophe and the mass-market distribution of low-cost savings products.

Individual companies are *concentrating on parts of* this agenda. Few, however, are combining all the elements – and fewer still are embracing the wholesale transformation of distribution systems, product design, cost structures and pricing expectations required. But without such a transformation, one of the oldest and most important parts of the financial services industry will find it hard to meet the challenge of the next century.

BOOK REVIEW · David Buchan

LA GUERRE DE SEPT ANS: By Eric Aeschimann and Pascal Riché
Calmann Lévy, Paris, FFr130

The cost of keeping up with Germany

France's long civil war over the policy of the "franc fort" may be coming to an end, particularly now that French interest rates have fallen to near German levels.

One of the reasons for a truce in the argument over monetary policy is recognition that at last the French and German economies are *roughly on the same cycle of* low inflation and sluggish activity, and therefore the Bundesbank's monetary policy is no longer so unsuitable for France.

However, there is a growing consensus in France that the country was wrong to keep the franc linked to the D-Mark in the early 1990s. Just when France was entering recession and needed *cheaper money, the* Bundesbank reacted to higher inflation in the wake of German reunification by raising interest rates.

The authors of this book, both reporters for Libération, put the blame for this error squarely on politics. Strategic politics in the case of the late president, François Mitterrand, for whom the currency link across the Rhine was part of building Europe. Tactical politics in the case of the late Pierre Bérégovoy, *the socialist* finance and prime minister who wanted to show that the left could be as much in favour of hard money as the right. Similar motivation lies behind the continuation of the policy by Mr Edouard Balladur, the Gaullist prime minister during the final Mitterrand years who saw the "franc fort" as a weapon in his fight for France's presidency.

The book's title is a reference to the 18th century war in Europe which pitted France and its allies against Prussia and Britain. But the "war" to defend the franc fort goes back 12 years to 1984, *when Bérégovoy* became finance minister. When the lira was devalued within the European Monetary System in the following year, the franc was revalued along with the D-Mark.

Bérégovoy made the "franc fort" central to his policy in his second spell (1988-92) as finance minister. However, this book reveals he was ready to contemplate *devaluation in the September* 1992 crisis when speculation against the franc suddenly eased. He was also beset by a growing private doubt over the "franc fort" during his unhappy year as prime minister that ended in electoral defeat in March 1993 and tragic suicide a month later.

At the start, it was not clear that the right would *also attach* itself to the "franc fort". In the run-up to the 1993 election, Alain Madelin, the free-market finance minister, was calling for an end to the link between the franc and the D-Mark while Mr Balladur was sounding out the Germans on the possibility of concerted interest rate cuts. In the event, Mr Balladur consigned Mr Madelin to a *minor government post, and* never carried out his plans.

Even after Mr Balladur *managed to ease pressure on* the franc in August 1993 by engineering wider fluctuation bands for currencies in the EMS, he maintained its link with the D-Mark. Why did he not use his influence with the Bank of France – not independent until early 1994 – to let the franc weaken a bit without having to change its central rate against the D-Mark?

The answer Mr Balladur gives these days is that he did not want to reward speculators and that in any case he eventually got interest rates down. The real reason, claim the authors, is that any depreciation would have *displeased* pro-Europeans on the right whom Mr Balladur was by then courting in his bid for the Elysée.

His successor, Alain Juppé, never wavered from the "franc fort". Jacques Chirac did for a time, but then found himself caught up in the same diplomatic logic that had driven *Mitterrand on*. The authors highlight the policy continuity provided by high-level bureaucrats, in particular Hervé Hannoun, who had been Bérégovoy's chief aide before becoming deputy governor of the Bank of France, and Jean-Claude Trichet, now the central bank's governor.

The authors make it clear *that for too long, too much* weight was put on monetary policy as "the forceps" to bring a reformed France into the modern world. It is a pity they do not delve deeper into the debate – or lack of it – on monetary policy inside the Bank of France. Was it, in hindsight, a mistake to have made the Bank of France independent so early, when the Maastricht treaty only requires central bank autonomy before the creation of the single currency *in 1999? But perhaps this is* only a secondary issue.

More important is the *prospect of a new struggle* over the "euro fort", this time with the French and the Germans again on different sides. The new Seven Years' War looks like taking the form of French efforts to ensure the euro is not overvalued against the dollar and yen, as the franc and D-Mark have been, and German insistence that the new euro be at least as strong as their old D-Mark.

La Guerre de Sept Ans *is available from FT Bookshop. Ring FreeCall 0500 418 419 (UK) or +44 181 964 1251 (outside the UK). Free p&p in UK*

LETTERS TO THE EDITOR

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Internet set-up may be fatally flawed

From Mr Henry Birdseye Weil.

Sir, Your recent articles, "Internet pricing" (October 28), and "Can't pay, won't cybersurf" (November 4), highlight fundamental flaws in the current Internet business model. The pricing of Internet services and the payment arrangements with telecoms providers and operators reflect an unfortunate combination of outdated assumptions and misguided strategies.

The outdated assumptions come from a time when the Internet was a negligible load on telecommunication networks and generous long-distance margins supported low prices for local calls. But the game has changed beyond recognition. Explosive growth of Internet usage is causing network overloads. Congestion and delays are frustrating Internet users. Intense competition is driving long-distance prices down relentlessly, thus forcing local services to pay their own way.

Investment in capacity to handle Internet traffic, including the broad-band technologies required to make multimedia truly interactive, is badly needed. Yet the present business model does not offer the incentive to do so. If local calls are very cheap or free, and the wholesale payment for carrying Internet traffic is less than cost, how will a telecom ever earn a reasonable return on its investment?

The telecoms are making matters worse through misguided competitive strategies. They are aggressively pricing Internet services to pre-empt independent providers from strip-mining their customer base. Unwittingly they are conditioning the marketplace to expect extremely low flat-rate pricing for Internet access. This further distorts the business model. Low flat rates will not generate the profits to justify required investments. But once customers are conditioned to pay $10 a month for unlimited Internet access it is hard to persuade them to pay $30.

Is the current Internet business model fatally flawed? It may well be, because the model is not sustainable but has formidable momentum. Note the immediate opposition by the computer industry to a small per-minute fee to the telecoms. This would not be the first time an innovation generated huge excitement and then bombed. Remember CB radio. It showed the way for mobile telecommunications. And with a much more robust business model the mobile industry took off. The Internet as we know it today may be a comparable pathfinder.

Henry Birdseye Weil,
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US

Shell denial of rights

From Mr Roger Lyons.

Sir, I was encouraged to see Shell's chairman, John Jennings (November 5), calling for "substance rather than public positioning statements" in his exchange with Anita Roddick (Letters, October 31).

I then read that Shell has been "listening to people both inside and outside the company". However, Shell *has refused point-blank* to listen to the views of employees in its UK on-shore operations, who have been the subject of arbitrary union de-recognition.

If the company ignores the rights of its own employees to representation how can Shell's wish for "dialogue" be taken seriously?

The chairman of Shell should end this disgraceful denial of human rights if his defence of the company's activities elsewhere in the world are to be believed and that, as he claims, "things are changing at Shell".

Roger Lyons,
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MSF Centre,
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Disastrous reaction to work directive

From Mr Giles Radice MP.

Sir, the government's reaction to the judgment of the European Court of Justice on the 48-hour working time directive is out of all proportion to the issue ("UK threatens EU clash over employment laws", November 13). British workers who want to work more than 48 hours a week can do so by agreement with their employer. In addition, a whole series of occupations is exempted from the provision of the directive, including transport workers, doctors in training and fishermen. The director-general of the Confederation of British Industry has accepted that the new rules would make very little difference to existing working patterns.

Whatever the government's views, it is wrong to attack the European Court of Justice. The single market is based on a system of common rules which need a court to police them. On many occasions British manufacturers have benefited from the rulings of the court.

It would be disastrous if the UK disrupted the intergovernmental conference for a measure which will have little impact on the vast majority of UK industry and was in any case introduced long before the Maastricht treaty under the procedures of the Single Act (which was supported by Mrs Margaret Thatcher's government).

The attempt by Mr John Major, the prime minister, to block progress in Europe is likely to be as ineffective as the British policy of non-co-operation over the BSE crisis – and equally disastrous for our relations with our European partners.

Giles Radice,
chairman of the European Movement,
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What Keynes actually wrote was . . .

From Mr P.B.W. Rayment.

Sir, I agree with Lord Roll's criticism (Letters, November 11) of Michael Prowse for his absurd misrepresentation of Keynes as lacking concern for the future. But the statement that "in the long run we are all dead" was certainly made by Keynes, not by Pigou, and it has only become infamous because it has for so long been taken completely out of context.

What Keynes actually wrote was that ". . . this long run is a misleading guide to current affairs. In the long run we are all dead. Economists set themselves too easy, too useless a task if in tempestuous seasons they can only tell us that when the storm is over the ocean is flat again" (*A Tract on Monetary Reform*, 1923, 1st edition, p.80).

Far from being the cynical remark of an immoral man, this is a sharp rebuke to the whole crew of simple monetarists, populist politicians, shock therapists, *et alia*, who are forever appealing to simple theories to excuse themselves from having to confront the real problems which block our path to their promised land.

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FINANCIAL TIMES

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Passports to the future

This week Mr Chris Patten has been touring the capitals of Europe to promote the cause of Hong Kong after the British colony's handover to China in July 1997. The governor has had talks with senior French ministers and is meeting Chancellor Helmut Kohl in Bonn. His mission: to persuade European governments to keep open their doors to citizens of what will become the new Special Administrative Region of China.

At first glance this may seem a small matter. But ease of movement for the estimated 3m people who will hold SAR passports will be vital to Hong Kong's future prosperity. Its reputation as a vibrant international financial centre and its distinct political and commercial identity within China will depend on continued freedom of travel for its citizens.

So far only Singapore has followed Britain in assuring SAR passport holders of visa-free entry. But Canada is considering following suit and Japan and Australia have given assurances that, while requiring visas, their immigration controls will be relatively relaxed.

There is little expectation that France and Germany will entirely scrap their visa requirements, but Europe's wider interest in Hong Kong's success should persuade them to adopt a liberal regime. Most importantly, Paris and Bonn should support the SAR's exclusion from a common EU visa list and, at the very least, differentiate between its citizens and those holding the passports of the People's Republic.

However, if Mr Patten is to persuade other European nations to take an enlightened view, the British government must listen to the governor and to Hong Kong's legislative council and act decisively on another issue. An estimated 4,000 to 5,000 people from Hong Kong's non-Chinese ethnic minorities still face the prospect of becoming stateless after the handover.

Mainly Indians, they are excluded from Chinese citizenship by Beijing's racist nationality law and have been denied right of abode in Britain. The most Mr John Major has been so far prepared to offer is that they would be allowed entry if they "came under pressure" after 1997. No one, least of all Mr Patten, thinks that is enough to avoid a damaging stain on Britain's international reputation. MPs across the parties are expected to reinforce the point when the House of Commons today holds a rare debate on Hong Kong.

Mr Major is said to be sympathetic to the plight of the minorities but Tory party managers fear damaging headlines in the tabloid press. Mr Michael Howard, the home secretary, has taken a similarly hard line. Mr Major, though, is prime minister. It is within his authority to make the right decision. Honour demands he does so.

World hunger

This week's world food summit, called by the UN Food and Agriculture Organisation to discuss ways of combating hunger, has been preceded by predictable scepticism. A similar meeting in 1974 vowed to eradicate hunger in a decade, to no evident effect. If this one only produces more hand-wringing and pious platitudes, scepticism risks turning to cynicism. That would be regrettable, since many of the problems which the meeting purports to address are real.

The first priority should be to identify clearly what they are. The prime cause of hunger is not, as some have suggested, a chronic – and worsening – shortage of food supply. Such diagnoses are unduly pessimistic about the chances that agricultural productivity will continue to gain from technological advances. More important, even expanded food output and more stable population growth would be unlikely, on their own, to alleviate the problem.

As the World Bank has rightly emphasised, hunger is largely a function of poverty. It not only afflicts poor countries, where food expenditure absorbs a large proportion of household incomes. It is heavily concentrated among particularly susceptible population groups within those countries.

There is a strong case for emergency programmes to insure the purchasing power of those most vulnerable to sudden rises in food prices. International aid would facilitate such measures. This should consist of cash transfers, since food aid has often damaged agricultural output in recipient countries.

But a durable solution requires faster and more equitable economic development. Global trade liberalisation is one way to improve earning opportunities for the abundant labour of developing countries.

Freer farm trade can itself play a role. Import curbs and export subsidies – notably in Europe – have crippled production in many poorer countries. Removing these barriers should be a high priority for the next farm negotiations in the World Trade Organisation.

True, trade liberalisation would probably raise world prices, hurting net food importing countries. But in many, agricultural output has been held back by economic mismanagement and policies which have discriminated against farmers. Domestic market-based reforms could do much to help these countries.

This week's conference can probably do little to promote these outcomes. The FAO's role is, in any case, increasingly marginal. Its most useful contribution to the debate on world hunger would be to help ensure that solutions are based on a proper analysis of the problem.

Society bluff

The threat by four leading UK building societies to delay their plans for a stock market flotation because of uncertainty about the government's plans to reform the relevant law should not be taken seriously.

The argument is a brazen bluff intended to preserve the protection against takeover which they will, under the current law, enjoy for five years after giving up mutual status.

The Halifax, the largest of the four, has already made it clear that it does not need this protection; it has opted for a procedure which will negate the present legal provision which says that no one may acquire more than 15 per cent of its shares.

The management of Alliance & Leicester, which is the driving force behind the four societies' campaign, stands in much greater need of protection, but deserves none.

For all that, the government's disarray over building societies legislation runs the risk of making Alliance & Leicester's case appear stronger than it is.

Mrs Angela Knight, the Treasury minister responsible, has been making up policy on the hoof. She has compounded the problem by her confusion over whether the government is ready to find parliamentary time for a bill.

Mrs Knight's proposal for "ring-fencing" any two societies which announced that they were discussing a merger, ad libbed after the Treasury's original consultative document, has, happily, died. But she continues to tinker with unnecessarily protectionist ideas.

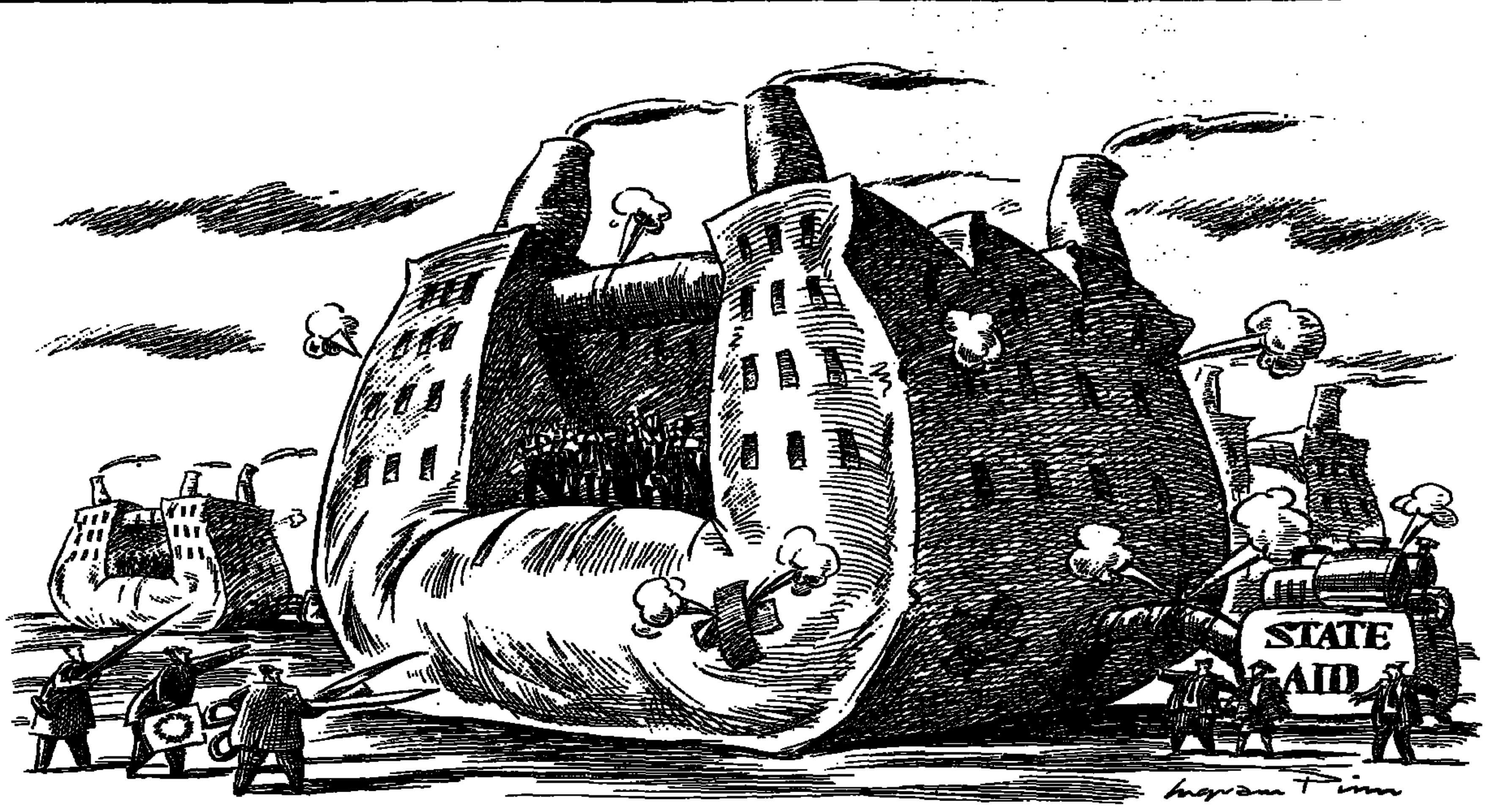
Her latest idea is to keep the five-year shelter, unless a converted society itself takes over another financial institution.

There are many things about the current building societies law that need reforming. It is highly prescriptive, spelling out exactly what a society may do and how, rather than merely stipulating what it may not do. Worthwhile changes proposed in the Treasury's draft bill will, however, be undermined if they are combined with measures to protect converting societies.

Mrs Knight says that eliminating the five-year rule now would "ambush" societies which chose conversion under the impression that they would be sheltered.

It might, indeed, have been preferable to make the change in a year when no societies were queuing up for conversion. That is insufficient argument for retaining a crutch which the strongest societies do not need.

A society which chooses to become a bank and join the stock market has no claim for protection from the market's discipline. If Mrs Knight cannot bring herself to sweep away this protection, she would do better to leave the law alone.



The aidbusters' charter

Brazen flaunting of EU rules on state aid to industry have prompted proposals for new controls, writes **Emma Tucker**

Even before he fell out of a plum tree in the summer and broke his arm, Mr Karel Van Miert, the European Union's competition commissioner, was having a stressful year.

First, the eastern German state of Saxony paid more than DM91m ($61m) to two profitable Volkswagen plants, ignoring a Commission ruling that the payment would be illegal.

Then the French government declared it wanted to give more money to Crédit Lyonnais. Other French banks complained the nationalised bank had already been given FFr45bn ($9bn) in 1995, the biggest payment of state aid ever approved by Brussels.

Last week it emerged that Bremer Vulkan, Germany's biggest shipbuilding group, had diverted more than DM700m of state aid approved by Brussels for its ailing east German yards to the west German parent company.

Mr Van Miert says he has never been under so much pressure to allow EU member states to use public money to support business. "High unemployment means trouble," he says. "The first thing governments want to do is give state aid."

But today the Commission is hitting back. In a joint initiative with the Irish government, which holds the presidency of the EU, Mr Van Miert will seek approval from EU industry ministers for the most far-reaching shake-up of state aid rules in 40 years.

The idea is to put today's loosely constructed state aid rules on a more solid footing, with a refocusing of priorities, clearer procedures, rights for third parties, more transparency and greater legal certainty.

The ideas to be proposed today include:

- Raising the threshold above which state aid cases are examined – thus allowing the Commission to concentrate on the really big cases that have a serious impact on the single market.
- Introducing a timetable for the notification and investigation of state aid cases along the lines of the 1989 merger regulation.
- Strengthening the role of third parties – competitors and other member states – in the investigation process.
- Improving access to information in member states and at the Commission by establishing a register of decisions on state aid.

"We want the council to give us the tools to sort things out," says Mr Van Miert.

Even before the latest batch of state aid cases put the Commission on the defensive, plans were already afoot to revamp its approach to regulating state aid to industry. One of the main reasons was the fact that officials at the competition directorate are barely able to cope with the proliferation of cases and challenges to their decisions over the past few years.

"There is such an increase in the number of cases that it is becoming extremely difficult to handle them all," says Mr Van Miert.

The commissioner expects about 2,000 cases to be notified to Brussels this year, twice as many as last year and more than five times the number in 1988. The sharp increase stems largely from the liberalisation of important industrial sectors such as transport, telecoms and multimedia. These sectors have for the first time become exposed to competition, with new companies entering these markets complaining about unfair support for the former monopolies.

As one Irish diplomat says: "The liberalisation process is producing new sectors that 10 years ago weren't considered anything other than state-aided."

One option would be to draft in extra staff but Mr Van Miert believes there is little chance of winning extra resources. Thus the Commission proposes to reduce the number of cases that Brussels has to investigate by restricting scrutiny to big, cross-border state aid cases affecting the single market.

Under the existing rules the competition authorities are supposed to examine any case of state aid that exceeds Ecu100,000 ($79,000). But a ruling from the Court of First Instance, the lower court of the European Court of Justice, requires Brussels to respond to every complaint.

This means investigations into a dispute between two sports clubs on either side of a border have to be looked at just as cases such as those involving large national companies such as Crédit Lyonnais or Bremer Vulkan.

The danger of raising the thresholds is that leaving lots of small state aid cases unchecked could be damaging for competitors. Even small amounts of state aid might have a significant impact in particular markets.

This is of particular concern to the smaller member states which cannot compete with the amounts of aid poured into industry by rich countries such as France, Italy and Germany.

Last year, the Commission cleared just over 600 state aid cases, one third involving Germany – the "champion" of state aid, according to Mr Van Miert. Spain was the second-worst offender followed by Italy and France.

The competition commissioner sympathises with the smaller states, but says the priority is to clarify the position on state aid.

"That is a different debate," he says. "For the time being we want to concentrate on making things better, more transparent and more legally certain in the first place."

He believes greater openness will counter political pressures on the Commission to approve state aid. This is why the Commission/Irish document calls for a register of rulings explaining how decisions were reached. It also wants the member states to make public all cases of state aid – even if they are below the threshold for notification.

"The idea of a register is not just tokenism," says the Irish diplomat. "Registers enhance transparency and legal security."

Greater transparency would also make it easier for competitors to make their views known. According to Unice, the European industry federation, business needs to be more closely involved in assessing the impact of aid to business inside the single market.

"Third-party competitors are often in the best position to assess the potential anti-competitive effects of aid within their sectors," says a recent Unice report on state aid.

Officials also believe that encouraging input from other parties from the start of an investigation will make it harder still for member states to put pressure on the Commission to approve aid to their own industries.

"At the moment officials have a very frustrating task," says Mr Christian Ahlborn, a lawyer at Linklaters & Paines. "They carefully analyse a case only to see it tampered with by the politicians."

In addition to the growing number of cases, the Commission finds itself dealing with increasingly complex issues.

For example, it is having to deal with new challenges in sectors such as multimedia and banking. The latter is particularly sensitive since bank crashes can have far-reaching consequences for national economies. The troubles at Crédit Lyonnais forced the Commission to produce a new set of procedures for the banking sector.

And countries have become much more sophisticated about how they administer state aid, moving away from easily identifiable cash handouts to more sophisticated mechanisms.

"Governments have become more and more creative," says Mr Ahlborn. "You invent a rule and they get round it. You invent another rule and they get round that."

One example is the use of state guarantees to back commercial bank loans. This has become a particular problem in Germany where the *Landesbanks* owned by the states act as commercial banks. With state backing, they are able to get triple-A credit ratings, borrow money at much cheaper rates and lend it on preferential terms to local industries.

Similarly, governments are giving their backing to commercial loans which allow ailing enterprises to borrow money at rates not available to competitors.

The Commission's competition directorate is examining the responses to a questionnaire it sent out to member states on loan guarantees and expects to discuss draft ideas at a meeting next month. But, as one diplomat points out, declaring such guarantees illegal could have a devastating effect on the German banking sector.

With all these issues up for discussion today, the meeting of industrial ministers promises to be tense. Member states will be reluctant to give more powers to Brussels which could make it harder for them to reduce the impact of industrial restructuring and the resulting job losses.

But the Commission will argue that unless the number of cases can be reduced and the procedure opened to public view, its credibility as arbiter of competition policy in Europe will be at stake.

Perhaps more powerful, it will point out that there is a danger of member states becoming involved in a subsidy war in the fight against unemployment. Such a war could only distort the single market and further widen the gulf between rich and poor countries.

· OBSERVER ·

Bare-faced cheek

■ This week's Rome summit of the UN's Food and Agriculture Organisation has been a bit of a gloomy affair. The FAO's normally spacious head office has been crammed to the gills with 3,500 delegates and 2,500 rather grumpy journalists who, because of tight security, are denied access to that part of the building where the summit leaders are actually speaking.

Thus reduced to watching the proceedings on television monitors, some of the hacks are wondering why they bothered turning up, especially as the summit yesterday adopted a declaration and plan of action, before most leaders had even arrived.

But yesterday had a lighter note. After his address to the summit Dan Glickman, US secretary of agriculture, gave a press conference which was immediately interrupted by several naked women protesters, protesting against US agricultural policies towards developing countries which – they alleged – exacerbate problems of hunger.

They explained their case while scattering seeds around; a well-endowed young Italian named Olivia, and fluent in both Italian and English, held journalists captive for nearly half an hour before security officials arrived.

Taking off only his coat, Glickman was asked if he favoured more summits. "Yes," he said, "as long as they have the same freedom of expression as this one."

Flynn gets cross

■ Brussels bureaucrats are feeling bruised by the virulent anti-EU tone emanating from London, not least the UK's tabloid press. Lashed over mad cows, castigated over the 48-hour working week – whatever next? Perhaps the war of Flynn's ear.

Britain's Daily Mail newspaper recently carried an article on Padraig Flynn, EC commissioner for social affairs. The piece focused on Flynn's Irish roots and has provoked outrage in Ireland. It also clearly irritated Flynn; he has apparently decided enough is enough. The former Irish justice minister has now initiated legal proceedings against the Daily Mail. This could get nasty.

Mussolini goes

■ Alessandra Mussolini, who first traded on her looks and aunt – Sophia Loren – to model/act and then her parentage – grandfather *Il Duce* – to enter politics, has abruptly flounced out of her party, the rightist National Alliance, or AN.

In a curt note and without explanation, the 35-year-old Mussolini yesterday announced she was abandoning the parliamentary group. In 1992's general election she was snapped up for Naples by the MSI, the neo-fascist party that drew its inspiration from the ideals of her grandfather.

But once elected she had a stormy relationship with the MSI. Things didn't improve once it transformed itself into the AN to fight 1994's elections. She has battled with her party colleagues on Naples' city council, upsetting them by her bipartisan support for the left wing administration of the city, headed by former communist Antonio Bassolino.

But Mussolini loves the limelight. And in Italy, resignations have a habit of being withdrawn – she won't disappear. As one of her Naples colleagues observed yesterday: "There are no political differences – just her desire always to be in the newspapers".

Glad to be gay

■ Being a Euro-MP of unusual daring, as well as wife of an almost-UK prime minister, doesn't guarantee that everyone remembers your name, as Glenys Kinnock, wife of former Labour leader-turned European Commissioner Neil Kinnock, has discovered.

Although she recently raised her already high profile by journeying to Burma to meet opposition leader Aung San Suu Kyi, Irish European affairs minister Gay Mitchell yesterday managed to refer to her throughout a briefing as "Gladys".

Mitchell should be sensitive to problematic first names. Suspicious of his, Gallic organisers of a journalists' dinner he was due to address on Tuesday rechristened him on the invitations as *Guy* Mitchell.

Yuppie earache

■ The backlash against yuppiedom is truly under way – the Swedes are investigating the harmful effects of using mobile phones. Some 17,000 mobile phone users in Norway and Sweden are participating in a survey led by Kjell Hansson Mild, a specialist in electromagnetic fields at Sweden's National Institute for Working Life. It seems heavy users of such phones complain of headaches, dizziness, drowsiness, nausea, memory loss and lack of concentration. Next thing you know they'll be looking into wallet-induced lumbago.

The Financial Times

100 years ago

Low-priced Yankees

In the first stage of the recent advance in American railroad issues, attention was mainly directed by the market to the higher-priced speculative favourites such as the Milwaukee and Louisvilles. But after the first wild scramble for these, the public began to recognise that it was rather in the lower-priced varieties that speculative attraction was now to be found. A number of these cheap stocks represents the wreckage of the railroad crisis of 1893, and although most of the companies have successfully emerged from their troubles, people have been leaving the shares severely alone.

50 years ago

Costs In South Africa

Mr. J.H. Hofmeyr, acting Prime Minister of South Africa, told the Natal Congress of the United (Government) Party yesterday that the present "cost structure" in South Africa must be lowered. "It is important for the gold mining industry; it is important for all of us," he said. "That it will come I have no doubt. When it will come I cannot say." High price levels affected the gold mining industry in a way in which they did not affect other industries, he added.

FINANCIAL TIMES
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Iraq fair pulls in big names despite sanctions

Overseas exhibitors are still wooing Baghdad

By Roula Khalaf in Baghdad

Anyone visiting the Baghdad trade fair this week could easily think that business in Iraq is back to normal.

Visitors can inspect a Massey Ferguson tractor displayed by the company's UK subsidiary and visit stands for French oil companies Total and Elf and Canada's Ranger Oil.

The Malaysian Palm Oil Production Company draws the crowds with free fried chips.

Children beg for a taste at the display put up by Turkey's largest confectionery companies. And the wealthy peruse the catalogues of Jordanian marble and red tiles.

Not a bad line-up for a country which, under United Nations sanctions imposed since the 1990-1991 Gulf war, is banned from importing anything other than humanitarian goods and from exporting oil, its main source of foreign exchange revenue.

The fair is held every year as an act of defiance to prove growing international interest in doing business with Iraq and to try to weaken support for the comprehensive UN sanctions.

This year, however, for the first time since the Gulf war, some big names have shown up.

The Italian oil company Agip has never done business in Iraq, but it now has a permanent representative in Baghdad who set up his own section at the fair.

French oil companies are seeking contracts to develop oil fields and some reports have suggested preliminary deals may have already been signed.

For many companies, exhibiting products at the fair is part of their long-term strategic planning. They expect that the embargo will one day be lifted and Iraq will give priority to companies that stuck around. Food and medicine suppliers, and makers of agricultural equipment, such as Massey Ferguson, are allowed to sell to Iraq under the sanctions. These companies are also attracted by the prospect of increased trade if and when the oil-for-food deal Iraq agreed with the UN in May is implemented.

The accord, which would reduce the burden of the sanctions by allowing Iraq to sell $2bn of oil every six months to buy food and medicine, was put on hold in September, after Baghdad's invasion of Kurdish strongholds in northern Iraq.

Meanwhile, Iraq claims that it is circumventing sanctions and freely importing and exporting many products, including selling some oil.

Smuggling has become a main line of business in Baghdad and the markets display many newly-arrived, mostly low-quality, goods.

> Black market activities have nurtured a new class of Iraqis with purchasing power

Most are beyond the reach of the average Iraqi on a monthly salary worth a few dollars, but the smuggling and other black market activities have nurtured a new class of Iraqis with purchasing power.

For exporters to Iraq, foreign currency is a problem. According to foreign food traders, some large companies hoping to win contracts when sanctions are lifted are helping to finance small suppliers of food and medicine in a three-way deal that promises them payment by Iraq in the future.

A representative of a Chinese building materials exporter at the fair says he is confident of a bright future for Iraq when sanctions are lifted. In the meantime, he says, "Iraqis don't have dollars and you have to send shipments through Jordan. But there are other ways of doing business, like barter trade, and we have to be flexible."

The day when Iraq will be allowed to buy military equipment is far off. But the Indonesian embassy representatives at the Baghdad fair appear to be more confident.

They are displaying pictures of military helicopters. The Chinese, meanwhile, want to sell everything from construction materials and equipment for the disabled to chemicals for plastic production and men's ties.

The South Koreans also want a piece of any future action. The Jordanian representative of the Korean Trading Centre is in Baghdad for the first time since the Gulf war. He says Iraq, with its population of 20m people, and imports that once reached more than $20bn a year, "has nothing and needs everything".

Being seen in Baghdad today is a sensitive issue and not all companies are happy to find foreign journalists at the fair grounds.

A Greek company says it has come to Baghdad "unofficially", and asks that its name not be reported because its interest in doing business in Iraq could jeopardise exports to the US.

The largest space at the fair is taken up by Turkish and Jordanian companies, which suffered most from the closing of the Iraqi market and are most likely to benefit from a partial lifting of sanctions under the oil-for-food deal.

Mr Huseyin Gunes, export manager for Saray, a leading Turkish confectionery maker, says he believes the sanctions will be lifted in 1997 because Turkey and Iraq have endured enough.

"And if they are not, Turkey will not follow UN decisions," he says.

French carmakers could cut thousands of jobs

By David Owen in Paris

Peugeot Citroën and Renault, France's two main carmakers, are in talks with the government on proposals to cut thousands of jobs and reduce the average age of their employees through early retirement and other measures.

The government said yesterday that a working group had been set up at the request of the two manufacturers, but refused to confirm newspaper reports that as many as 40,000 employees might be affected. The companies employ a total of more than 220,000 people in car production worldwide, the majority in France.

Both companies are under pressure to improve competitiveness and contain costs in the face of cut-throat competition from foreign manufacturers. Both reported sharp downturns in first-half profits, and Renault expects to incur a full-year loss.

Disclosure of the talks comes at a difficult time for the government, which is struggling to combat record unemployment of 12.6 per cent, while keeping the lid on public spending.

The opposition Socialist party yesterday joined trade unions in seeking to exploit the government's dilemma, saying the unconfirmed 40,000 figure was "a new worry for jobs". The French government retains a 46 per cent stake in Renault.

The decision to form the working group appears to have been triggered by a letter in July from the companies to Mr Alain Juppé, prime minister. Le Canard Enchaîné, the satirical newspaper, said the letter warned that the French car industry had to adapt to new conditions. It pointed out that half the two companies' employees would be more than 50 years old by 2000.

The talks are thought to focus on a law that offers state funding to companies placing older employees on part-time work, while hiring young people. This could help both companies reduce the average age of their workforces – 45 at Renault and between 42 and 43 at Peugeot.

Renault said that cutting both the average age of its workers and its overall number of employees was necessary for the future. The two companies had teamed up to talk to the government because of a "convergence of problems", it said. "What is at stake is our survival."

The two companies' shares moved in sharply diverging directions yesterday, with Peugeot climbing FFr12, or 2.1 per cent, to FFr590 and Renault falling FFr1.90, or 1.5 per cent, to FFr121.

THE LEX COLUMN

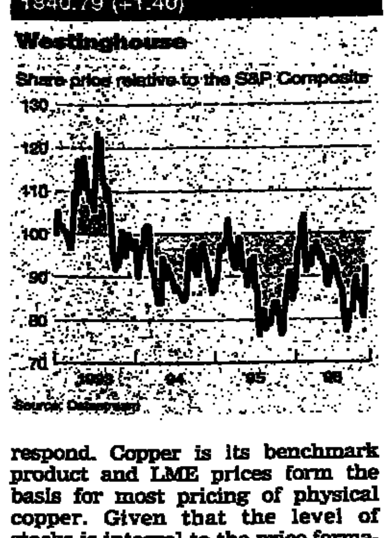
Moving Westinghouse

So Westinghouse has become the latest old-fashioned conglomerate to bite the dust. And not before time. Over the years, shareholder wealth has been frittered away on dubious diversifications and poor management of its existing businesses. Yesterday's split between a media group and an energy group makes sense. The value of the media business was not fully appreciated so long as it was locked inside a badly-performing conglomerate.

Still, both the manner of the break-up and the way Westinghouse has got there are questionable. It would have been more logical to spin off completely Thermo King, Westinghouse's gem of a refrigerated transport division, instead of leaving it partially yoked to the energy business.

A bigger doubt is whether it was desirable to pay premium prices to beef up Westinghouse's media business to prepare for the break-up. The group has spent nearly $10bn buying CBS, the broadcaster, and Infinity Broadcasting, a network of radio stations. True, these acquisitions will allow Westinghouse to deploy its past tax losses efficiently. But shareholders might have done better if the group had pursued a simple liquidation strategy, instead of turning itself into a media group. This is especially so since the new Westinghouse may find its strategy of concentrating on distribution rather than content puts it at a disadvantage when some of its largest rivals – like Disney, Time Warner and News Corporation – have both.

FTSE Eurotrack 200:
1840.79 (+1.40)



Copper

News of a large hidden stockpile of copper in Rotterdam comes as unwelcome news to a market still reeling from the Sumitomo scandal. The tale remains a murky one, but a study of copper flows to and from the Netherlands suggests a stockpile as large as 500,000 tonnes could have been built up between 1990 and 1995. Statistical glitches may inflate the figures, but it is quite plausible that a 200,000 tonne stock – nearly twice the present level of copper held at the London Metal Exchange – does exist.

The effect of these revelations on the price need not be dramatic; rumours of large hidden stocks are not new, and there is evidence that the market price already factors some of these in. LME stocks have anyway fallen sharply to a six-year low, but the price has refused to budge. Even so, the LME must respond. Copper is its benchmark product and LME prices form the basis for most pricing of physical copper. Given that the level of stocks is integral to the price-formation process, the integrity of the LME price is compromised by the existence of stocks not included in the Exchange's statistics.

If the LME is to be seen to be beyond reproach, it must ensure that it achieves a better understanding of the stock position in non-LME warehouses. It should also reveal details of the origin of stocks entering its warehouses, to assist in the corroboration of trade data. Without such steps, it risks attracting further criticism of the way it manages its affairs.

E Midlands/Dominion

The continuing herd-like rush of US bids for British power companies is a remarkable collective folly. Dominion Resources' bid for East Midlands Electricity is yet another case in point: East Midlands will continue to be run in the same way by the same management. Yet just to get control, Dominion is pointlessly paying a fattish premium over what East Midlands, on most fundamental reckonings, is worth. Dominion's 670p offer also makes its previous statement – that it would not bid much more than 608p – look dangerously close to misleading.

Of course, Dominion shareholders can console themselves that the company is not overbidding by quite as much as others have. Dominion is paying 6.4 times prospective earnings before interest, tax and depreciation – roughly what CalEnergy is offering for Northern Electric – when previous bids in the sector have ranged between six and eight times. But in reality, although some conclude East Midlands should have held out for more, its negotiating hand was weak: had the Americans gone hostile at this price, they would almost certainly have won.

The only risk for investors now is a referral to the Monopolies and Mergers Commission. But assume that a referral would send East Midlands' share price back to 530p, and last night's 622½p price implies a 30 per cent or so probability of referral. This looks overdone. It is, for instance, a higher discount than the market is applying to Northern Electric – where the referral risk is plainly higher. For the brave, East Midlands shares look an interesting punt.

Crest

Crisis, what crisis? That is the attitude of CrestCo, the company responsible for London's new electronic settlement system. But the notion that the backlogs in Crest are the fault of a handful of small stockbrokers which are having problems adapting to the new system is hard to believe. The big investment banks are also worried that the system cannot cope, even though it is far from fully loaded.

The first priority must be to establish exactly how serious the problems are. So the idea of an audit by independent consultants has merit. Moreover, if doubts about Crest's ability to run at full capacity are well-founded, it would be better to go back to the old paper-based system until the new electronic one is completely debugged.

The broader lesson is the need to pin accountability on managers of this sort of project. It is worrying that CrestCo is even now reluctant to guarantee service levels. If users had insisted right from the start on stiff penalties for failures to perform, CrestCo would have had a greater incentive to debug the system before switching it on. The Stock Exchange, which lost control of settlement following its disastrous attempt to build its own electronic system, must be taking quiet satisfaction from Crest's problems. Meanwhile, there should be red faces at the Bank of England, which gave birth to Crest.

Additional Lex comment on Land Securities, Page 23

Kazakh crew blamed for air crash

Continued from Page 1

Saudia jet to climb to, and hold, a height of 14,000 ft, and the Ilyushin to descend to, and hold, an altitude of 15,000 ft.

Both aircraft were flying towards each other in the same westerly corridor, protected by a 1000 ft gap – a routine practice near Delhi which, Indian air traffic controllers contend, is acceptable to the International Civil Aviation Organisation whose rules govern air control standards.

Though Delhi air traffic controllers rely on 20-year-old radar technology, which does not give the relative altitude of aircraft in its field, international airlines and pilots yesterday expressed overall confidence in their air traffic systems and procedure. Lufthansa and British Airways both fly daily to Dehli.

Heart drug gets support from study

Continued from Page 1

rarily suspended in advance of the announcement. Bristol-Myers Squibb shares traded normally.

The drug trial was unusual in its size – normally reserved for drugs already on the market – and in the way it took patients from three groups, those who suffered heart attacks, strokes or peripheral artery disease.

Clopidogrel works like aspirin, by interfering with the chemistry of blood clotting. But the precise mechanism differs and trials are being planned for a combination of the two.

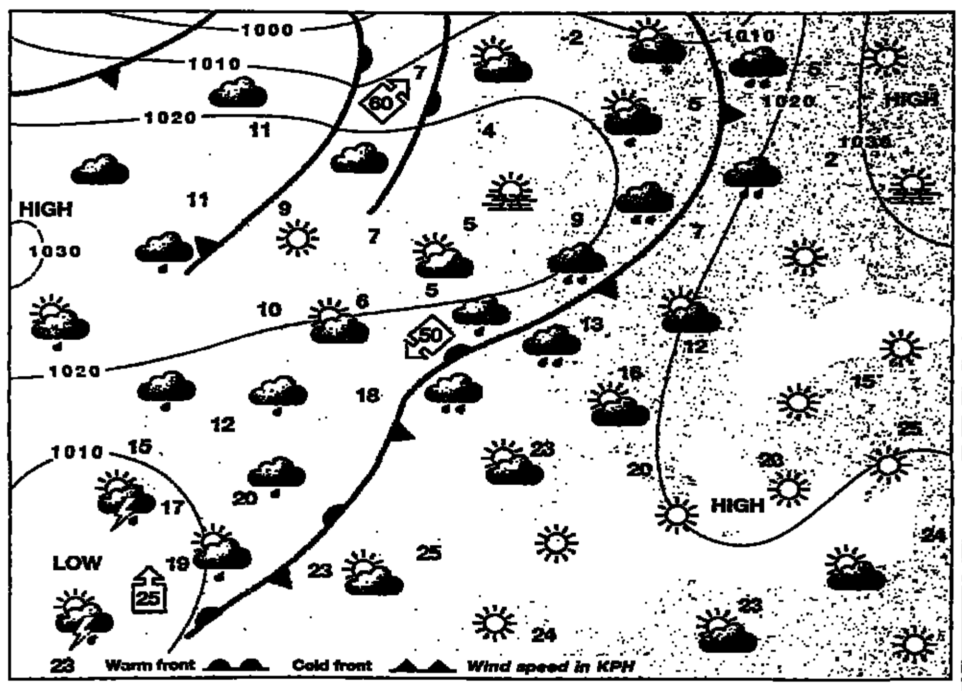
FT WEATHER GUIDE

Europe today

Conditions will not be as unsettled as the last few days, during which Tangiers had 150mm of rain, but it will still be cloudy and wet over most of Europe - the result of a frontal system stretching from Russia to northern Italy and across Spain. Over western Europe, increasing high pressure will cause an easterly air flow. Temperatures will be rather low. From Poland to France, temperatures will stay below 10C. Across the interior of Scandinavia, temperatures will rise above freezing point as a warm front arrives from the west. The front will bring a rise in temperatures over Scotland and Ireland.

Five-day forecast

The Mediterranean coasts of France and Spain will still have showers or thunderstorms as the front stalls to the east. Over the continent, high pressure will cause a more easterly flow, reducing temperatures to below zero at night.

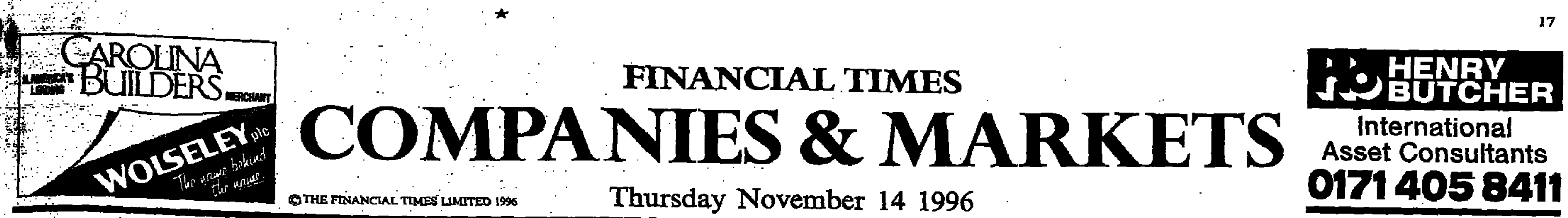


Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	fair	29	Beijing	sun	6	Caracas	shower	30	Faro	fair	16	Madrid	cloudy	11	Rangoon	shower	32
Accra	shower	30	Belfast	cloudy	11	Cardiff	fair	8	Frankfurt	fair	5	Majorca	shower	19	Reykjavik	rain	7
Algiers	fair	25	Belgrade	shower	16	Casablanca	thund	19	Geneva	shower	9	Malta	sun	22	Rio	shower	31
Amsterdam	fair	6	Berlin	fair	5	Chicago	fair	3	Gibraltar	shower	18	Manchester	rain	8	Rome	fair	21
Athens	fair	19	Bermuda	shower	24	Cologne	fair	6	Glasgow	cloudy	11	Manila	shower	30	S. Frsco	sun	16
Atlanta	cloudy	16	Bogota	thund	21	Dakar	fair	30	Hamburg	fair	5	Melbourne	cloudy	17	Seoul	fair	7
B. Aires	fair	28	Bombay	sun	31	Dallas	fair	22	Helsinki	fair	4	Mexico City	shower	21	Singapore	shower	32
B.ham	fair	7	Brussels	fair	7	Delhi	sun	29	Hong Kong	cloudy	22	Miami	fair	27	Stockholm	sun	2
Bangkok	fair	35	Budapest	shower	11	Dubai	sun	30	Honolulu	shower	30	Milan	rain	13	Strasbourg	cloudy	5
Barcelona	shower	17	C.hagen	fair	5	Dublin	fair	11	Istanbul	fair	15	Montreal	snow	2	Sydney	drzzl	28
			Cairo	sun	27	Dubrovnik	shower	20	Jakarta	shower	33	Moscow	cloudy	7	Tangier	shower	17
			Cape Town	fair	24	Edinburgh	cloudy	11	Jersey	fair	11	Munich	cloudy	5	Tel Aviv	sun	27
									Karachi	sun	29	Nairobi	shower	25	Tokyo	fair	17
									Kuwait	fair	26	Naples	sun	20	Toronto	snow	-4
									L. Angeles	sun	22	Nassau	fair	27	Vancouver	fair	9
									Las Palmas	shower	23	New York	shower	4	Venice	rain	14
									Lima	cloudy	20	Nice	shower	16	Vienna	rain	8
									Lisbon	fair	14	Nicosia	sun	24	Warsaw	rain	9
									London	sun	9	Oslo	sun	2	Washington	fair	8
									Lux.bourg	fair	3	Paris	sun	6	Wellington	drzzl	17
									Lyon	shower	10	Perth	fair	26	Winnipeg	cloudy	-2
									Madeira	shower	18	Prague	rain	5	Zurich	rain	7



FINANCIAL TIMES
COMPANIES & MARKETS
Thursday November 14 1996

IN BRIEF

BASF rises 9% in first nine months

BASF, the German chemicals group, reported a rise of 9 per cent to DM3.37bn ($2.24bn) in pre-tax profits for the first nine months and said the full-year result should at least match 1995's. Third-quarter pre-tax profits eased 2 per cent compared with the same period a year ago to DM1.05bn. Page 19

Frankfurt index reaches record high

In Frankfurt, the DAX index closed at a record high, lifted by strong corporate results and a string of broker recommendations. Veba, the diversified utility, rose DM4.95, or almost six per cent, to DM88.55 on a 14.7 per cent rise in nine-month pre-tax profits to DM2.5bn ($1.6bn). At the close, the DAX stood at 2,770.61, up 6.31. Page 36; Veba results, Page 18

Pechiney warns on second-half result

Pechiney, the French aluminium group, warned that it expected a sharp deterioration in activity and earnings in the fourth quarter, which would lead to a net loss in the second half. Page 19

Toshiba sells stake in chip venture

Motorola, the US semiconductor and telecommunications company, has acquired Toshiba's 49.95 per cent stake in Nippon Motorola Microelectronics, a semiconductor distribution joint venture established by the two companies in Japan seven years ago. Page 21

Pepsi launches Venezuelan fight-back

Pepsi-Cola launched an offensive to recapture the Venezuelan soft drinks market by forming an alliance with Empresas Polar, the country's largest food and drinks group. The deal comes three months after Pepsi's long-time bottler, Cisneros, defected to the US group's rival, Coca-Cola. Page 22; China shown secret ingredient, Page 21

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Altana	1290	+	38.0
CKAG Col Konz	130.5	+	6.0
Veba	88.5	+	4.95
Victoria Hldg	1022	+	42.0
Volkswagen Pf	477	+	5.1
Falls			
Holzmann	403	–	7
NEW YORK ($)			
Rises			
Chesapke Eng	62¼	+	3¼
Dana Corp	35¼	+	2¼
Excel Comm	26⅞	+	1⅞
Falls			
Delta & Pine	31¼	–	1½
Ostertl Opt A	28⅞	–	3½
Newfield Expl	47⅝	–	3¼
LONDON (Pence)			
Rises			
Ascot Hldgs	318½	+	18½
Lenica Tel	430	+	70
Ramco Energy	752½	+	57½
Falls			
McInerney A	1¼	–	3½
Pet City	460	–	35
Antonia Uts	544½	–	16
TORONTO (C$)			
Rises			
Budd Canada	22.5	+	1.5
Euro-Nevada	42.45	+	2.2
Echtran	25.0	+	1.95
Falls			
Bk Montreal	40.65	–	1.5
Economic Inv	80.0	–	2.0
Toronto Dom Bk	32.15	–	1.25

PARIS (FFr)			
Rises			
Guilbert	859	+	11
Peugeot	590	+	12
Worms Cie	283.1	+	14.2
Falls			
Air Liquide	770	–	12
BNP	212.7	–	4.1
Comptoirs Mod	2475	–	125
TOKYO (Yen)			
Rises			
Hattori Seiko	873	+	33
Nippon Soda	974	+	14
Falls			
Japan Metals	475	–	19
Washin Oil	839	–	19
Showa Elec	353	–	18
Tokyu	758	–	22
HONG KONG (HK$)			
Rises			
Cathay Pac	11.85	+	0.20
Great Eagle	20.60	+	0.60
HK Telecom	13.70	+	0.25
Sino Land	8.40	+	0.10
Falls			
China Light	35.10	–	0.60
China Motor	78.75	–	0.75
BANGKOK (Baht)			
Rises			
C.M.B.	26.00	+	13.00
Int. Trust	18.00	+	9.00
Siam City	188.00	+	17.00
Falls			
Asian Marine	18.25	–	2.00
Crown Seal	80.00	–	6.50
Fancy Wood	18.50	–	2.00

New York & Toronto prices at 12.30

Sale nets government more than $2bn in world's second largest block trade

Paris concludes Elf Aquitaine deal

By David Owen in Paris and Conner Middelmann in London

The French state yesterday sold the bulk of its remaining 9.85 per cent stake in Elf Aquitaine, the French oil, chemicals and drugs group, for more than FFr10bn ($2bn).

The long-heralded transaction was conducted at FFr417.50 a share – a discount of nearly 2 per cent to Tuesday's closing price of FFr425.50.

The deal was done essentially in two parts. A total of 4.6 per cent of Elf shares was placed with institutional investors in France and overseas while 4.5 per cent was acquired by an Elf subsidiary.

According to SBC Warburg and Paribas Capital Markets, joint global co-ordinators of the market placement, the transaction represents the second largest block trade executed in the international capital market.

A block trade, also known as a bought deal, is an increasingly popular stock market transaction. It involves a bank buying a block of shares using its own capital to sell to investors at a profit.

The largest block trade was the $1.3bn sale of shares in Enterprise Oil by Imperial Chemical Industries, the UK petrochemicals group, in 1990, which was jointly led by SG Warburg and Cazenove. In December 1995, Warburg also co-ordinated the sale by the UK government of shares in British Petroleum, worth $870m.

Mr Philippe Jaffré, Elf chairman, said that the acquisition would "automatically improve" the group's earnings per share. He said that it also removed "the uncertainty surrounding the French state's interest in the company which has weighed down the share price".

Elf shares closed last night in Paris at FFr423.40, down FFr2.10 or 0.5 per cent, in line with the benchmark CAC-40 index.

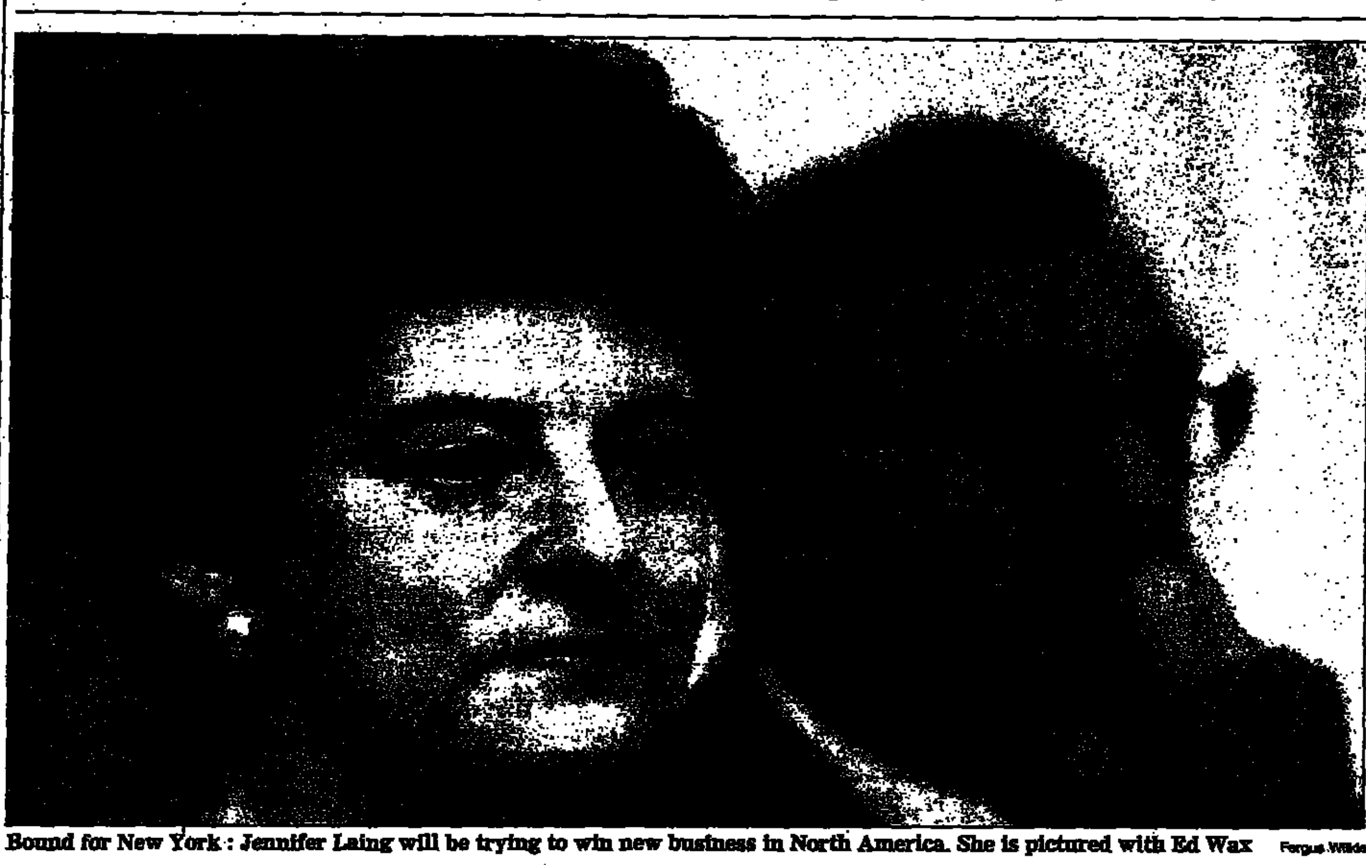
The sale leaves the state with a residual holding of 0.75 per cent in Elf, most of which is earmarked for transfer to Elf employees.

The two investment banks bought 12.58m shares for their own risk on Tuesday evening and placed them with international institutional investors before the French stock market opened yesterday.

Some 20 per cent were placed in the US, 50 per cent went to UK accounts and the rest was sold to investors in France, the rest of Europe, Asia and the Middle East, syndicate officials said.

The French government has used block trades to dispose of holdings in other French companies. In February it sold shares in Total, another oil company, worth about $600m, and in September it raised some $200m from the sale of shares in Crédit Local through block trades.

The government is expected to use the proceeds from yesterday's deal to top up funds needed for capital injections into state-owned companies. The state's golden share in Elf is understood to be unaffected by the transaction.



Bound for New York: Jennifer Laing will be trying to win new business in North America. She is pictured with Ed Wax Fergus Wilde

Saatchi chief executives swap cities

By Patrick Harverson in London

Cordiant, the marketing services company, will announce today it is moving the highly-rated head of its Saatchi & Saatchi advertising agency in London to take over the Saatchi unit in New York.

Ms Jennifer Laing's brief as chief executive of the North American operation will be to introduce a more aggressive, creative culture.

The current chief executive Mr Alan Bishop – who will replace Ms Laing as chief executive in London – has improved Saatchi's North American business margins and won several large clients.

However, Cordiant, the agency's parent group, wants to rejuvenate the New York unit with fresh blood from London.

Ms Laing's task will be to focus on improving creativity and client service and winning new business, said Cordiant.

Mr Bob Seelert, Cordiant's chief executive, described the moves yesterday as "getting the right people in right places to build the business. Saatchi UK is the heart and soul of the worldwide network and we want to spread that Charlotte Street culture". Charlotte Street, London, is the headquarters of the UK operation.

Ms Laing returned to Saatchi last year for a second spell. She was briefly joint chairman of the agency in 1987 before leaving to set up her own agency.

The 46-year old Briton has been credited with revitalising the business after several big clients left the agency following the acrimonious removal of its founder and former chairman Mr Maurice Saatchi.

Cordiant says her appointment is not related to the sudden departure in August of Mr John Fitzgerald, the New York-based president and chief operating officer of Saatchi & Saatchi Advertising Worldwide.

Fitzgerald, who left the agency only seven months after joining from McCann Erickson, was hired to help boost the agency's fortunes after the split with Mr Maurice Saatchi and was regarded as heir apparent to Mr Ed Wax, chairman and chief executive of Saatchi Worldwide. Cordiant says it has no plans to fill his position.

Westinghouse aims to be force in cable TV

By Richard Waters in New York

Westinghouse Electric indicated it has plans to become a force in the US cable television business following its announcement yesterday that it aims to spin off its remaining industrial businesses.

Expansion in cable would build on recent acquisitions that have already made Westinghouse the country's biggest broadcast television and radio group.

Alongside the spin-off, which had been expected, Westinghouse announced a public sale of up to 20 per cent of Thermo King, the refrigerated transport business which is the most successful part of its industrial operations.

The moves announced yesterday, expected to take nine months to complete, will conclude a remarkable shift which has seen Westinghouse turn itself from one of the the US's broadest industrial conglomerates into a media group.

The Westinghouse Electric name will be shed along with the industrial units. A new name has yet to be announced for the continuing operations, which have been built with the $5.4bn acquisition of television company CBS and the pending $3.9bn purchase of Infinity Broadcasting, a radio group.

Mr Michael Jordan, chairman, reiterated the company's aim of remaining mainly a distributor, rather than a producer, of television and radio programmes – a position which sets it apart from the US's other big entertainment groups, which have invested heavily in production.

The group also plans to add to its broadcast television and radio operations, he indicated. "We will be expanding our position in the cable environment," Mr Jordan said. The company has long been rumoured to have an interest in Gaylord Entertainment, a private media group which owns cable television systems as well as production activities, particularly in the country music business.

Westinghouse said its media business will be left with around $5.8bn of debt, along with $1.8bn of tax losses to set against its future profits. The company's executives forecast, though, that its cashflow would expand rapidly in the coming years, allowing it to reduce its debt. Revenues would grow 8-10 per cent a year, contributing to growth in earnings before interest, taxes and depreciation of 15-20 per cent over the next four years.

Besides Thermo King, the industrial businesses to be spun off comprise a maker of power generation equipment and a nuclear power company. The partial public offering of Thermo King was intended to maximise the value of the businesses, Westinghouse said.

Lex, Page 16
Change of direction, Page 22

SBC plans to issue bonds linked to UK house prices

By Conner Middelmann and Simon London in London

An issue of bonds linked to UK house prices is being planned by SBC Warburg, the investment bank. The move could offer fund managers direct exposure to the housing market through listed securities for the first time.

The initiative comes with the renewed interest among UK fund managers in housing as a financial asset, but most are reluctant to buy houses directly. House prices are on a rising trend following the slide of the late 1980s and early 1990s.

Figures from Halifax Building Society, the largest UK mortgage lender, show average house prices rising 7.1 per cent in the year to October.

SBC Warburg plans to issue up to £200m ($330m) of bonds backed by a new form of mortgage launched this week by Bank of Scotland.

Bank of Scotland is offering homeowners a reduced or zero rate of interest in return for a share in any capital appreciation when the property is sold.

SBC Warburg plans to repackage these loans into triple-A rated securities which will be sold to UK and international investors.

Although mortgage-backed bond issues are common in the international capital markets, most offer investors only a floating rate of interest rather than a share in any capital growth.

The timing of the issue depends on the success of the Bank of Scotland loans in the mortgage market.

The investment bank believes it needs a mortgage pool of at least £100m before the complex financial repackaging makes commercial sense. It hopes this will be reached in the first half of 1997.

UK life and pension funds were invested heavily in private rented housing until the 1960s, when government rent controls encouraged them to sell and concentrate on commercial property.

Investment institutions in European countries such as France and the Netherlands remain large investors in rented housing.

Mr Craig Corn, joint head of SBC Warburg's residential property group, said the housing-linked bonds would appeal especially to pension funds.

The UK housing market is thought to have an aggregate value of about £1,200bn, greater that the combined value of the UK's stock and bond markets.

Capital markets, Page 24

DDI plunges despite sales rise

By Daniel Bögler in Tokyo

DDI, Japan's second-largest mobile telephone company, reported a 56 per cent jump in half-year turnover to Y473bn ($4.3bn) because of a surge in cellular phone sales.

However, the cost of subsidising new handsets and its digital network almost obliterated consolidated pre-tax profits, which fell from Y42bn to Y1.3bn. After a high tax bill, DDI reported a net loss of Y20.6bn for the six months to September.

Subscriber rates beat expectations in all three divisions. In its established fixed, long-distance phone operation – which was the first domestic rival in 1986 to NTT, Japan's dominant telecommunications group – subscribers rose 3 per cent to 14.9m. This is expected to rise to 15.4m by March.

DDI Cellular customers jumped from 2m to 2.82m in six months and is forecast to reach 3.4m by the end of the fiscal year.

DDI Pocket, which sells cheaper mobile phones with a shorter range expects subscribers to rise from 1.87m to 2.8m by the end of the second half.

While the long-distance business is highly lucrative, the need to subsidise handsets is depressing profits in the cellular division, which also accounts for the lion's share of this year's Y404bn capital spending programme. DDI Pocket, founded a year ago, will make a Y83bn loss this year due to aggressive marketing and incentive fees.

As a result, DDI warned earlier this month that it expected a net loss of Y35bn this year on sales of Y1,010bn. The loss is heightened by Japanese tax rules – the tax on DDI's long-distance profits cannot be offset against losses in its newer businesses.

However, Mr Makio Inui, telecoms analyst at Salomon Brothers, said lower access charges to NTT's local network, which are under negotiation, could net DDI Y30bn extra profits before the end of the year.

Electricity unit lifts Veba

By Frederick Stüdemann in Bonn

Veba, the German industrial group, has announced a 14.7 per cent rise in pre-tax profits to DM2.5bn ($1.6bn) in the first nine months, thanks largely to strong growth in its electricity business.

The company said the figures were well ahead of its expectations and that it was on target for significant growth in sales and profits for the full year. In 1995 Veba had pre-tax profits of DM3.83bn on sales of DM72.3bn. The shares rose DM4.95 to DM88.55.

The rise in net profits at the Düsseldorf-based group, which is Germany's fourth largest industrial company, was even more marked, rising 25.2 per cent to DM1.22bn. Group sales increased slightly by 1.4 per cent to DM55.3bn.

In the electricity division, PreussenElektra, total sales fell 2.5 per cent to DM11.1bn. Veba said this was due to the drop in prices from the ending of the *Kohlepfennig*, a surcharge for the coal industry which was scrapped at the start of the year, taking with it DM300m in sales. In volume terms, however, there was marked growth thanks to an increase in electricity exports, largely to the Netherlands and Scandinavia, and the beneficial effects of a long winter.

The division's performance was also helped by the effects of rationalisation measures. Veba does not break down its profits by division but said there had been a "remarkable rise" in profits at PreussenElektra.

Veba's oil trading division recorded the strongest rise in sales, up 9.7 per cent on the same period in 1995 to DM12.8bn. Exploration and production had grown considerably and the division profited from a rise in oil prices, Veba said.

The telecommunications division, Vebacom, saw a 4.1 per cent increase in turnover to DM282m thanks to growth in corporate business. Vebacom made a "considerably higher loss" in the first nine months, but the parent company said this was in line with planning as the division, which is being positioned for the liberalisation of Germany's telecoms market in 1998, was still in the process of being built up.

Veba's chemicals division, Hüls, saw a 3.6 per cent drop in turnover despite a rise in the sale of silicon wafers.

In the general trading and services division, a drop in sales in the construction sector, which in Germany has suffered from a long winter and an overall slump in demand, was balanced by an increase in turnover in the group's international oil trading activities.

Local brewing lifts SAB 20%

By Mark Ashurst in Johannesburg

South African Breweries yesterday announced interim results ahead of expectations, as local beer interests beat the downturn in consumer spending.

Pre-tax profits for the six months to September 30 increased from R1bn to R1.2bn ($254.8m). Turnover rose 16 per cent to R17.2bn, despite slower sales at Edgars, the fashion retailer, and OK Bazaars, the supermarket chain.

Earnings per share were 14 per cent higher at 185 cents, against 163 cents a year ago. The dividend was raised in line with earnings, from 57 cents a share to 65 cents.

Analysts said the results were slightly ahead of expectations, although these had been scaled down last week after a disappointing performance from Edgars.

The shares closed down 50 cents at R115.25, having earlier touched R116.50.

Mr Murray Winckler, of Ivor Jones Roy, the brokers, said SAB "had to show a reasonable result" after a $413m international equity placing last month.

Mr Winckler said market sentiment was "fairly negative", and foreigners were selling the new SAB paper back to South Africa.

The new shares were priced at R115, a discount of just over 4 per cent to the then market price of R120, and 14 per cent below the SAB share price before the placing was announced. The international issue had been forced by foreign exchange controls, which barred SAB from using rand to finance expansion in Poland, Romania and China.

Mr Roy McAlpine at Liberty Life, the insurer, said the share price had tumbled when local institutions, which were not able to take up the issue, anticipated the "flowback" of shares.

Mr Nigel Cox, SAB finance director, said SAB could finance international operations from cash reserves and borrowing if exchange controls were lifted. Cash from operating activities topped R1.7bn during the period; net cash stood at R754m at September 30; gearing was 37 per cent.

Operating profits from local beer rose 17 per cent to contribute about 70 per cent of group profits, against 11 per cent from Africa, Europe and Asia. Other retail and consumer goods operations in South Africa contributed 29 per cent.

A one-piece jump-suit, part of the 1997 spring collection from John Galliano, Christian Dior head designer. The French fashion house yesterday posted sales up 2.9 per cent from FFr21.17bn to FFr21.79bn ($4.3bn) in the nine months to September Popperfoto/Reuter

Consortium reforms to make bid for Creditanstalt

By Eric Frey in Vienna

First Austrian Savings Bank announced yesterday that it would make a bid for Creditanstalt with the same consortium that it left in September because of disagreements over the future management of Austria's second largest bank.

First Austrian said it had reached agreement with EA-Generali, the Austrian subsidiary of the Italian insurer, and the other consortium members, to submit an offer to the Austrian finance ministry by tomorrow, when the latest deadline for the privatisation of Creditanstalt expires.

As no other bidder has stepped forward, Mr Viktor Klima, finance minister, is likely to accept the offer and bring the five-year saga of the Creditanstalt's privatisation to an end this year.

The consortium is believed to be preparing an offer of at least Sch10bn ($948m) for just over 50 per cent of Creditanstalt's voting stock. This falls short of Mr Klima's expectations – he had hoped to unload his whole 70 per cent voting stake – but it is more than the Sch6.5bn that EA Generali and its partners offered after First Austrian left the group. Mr Klima rejected that earlier offer.

The size of the bid will be set at a consortium meeting today. It is expected to be based on Creditanstalt's stock price, which closed at Sch719 yesterday and values the 20m government shares at Sch14.3bn. Earlier this week, First Austrian and its partners found a compromise on the disputed structure of a holding group for the savings bank and Creditanstalt.

First Austrian originally insisted on nominating the joint management even though it is far smaller than Creditanstalt. It also wanted to keep the two banks' operations relatively independent. In contrast, Creditanstalt and the other consortium members demanded a structure close to a full merger and a more limited role for AVS, the foundation that controls First Austrian.

Banking sources said that First Austrian got its way on the merger question but gave in on the issue of control.

It also offered to raise the cash portion of its bid from Sch2bn to at least Sch2.5bn. In addition, AVS will put 75 per cent of its First Austrian shares into the new holding group.

INTERNATIONAL NEWS DIGEST

Teva to market Copaxone in Israel

Teva, Israel's largest pharmaceuticals company, is to market Copaxone, its multiple sclerosis drug, on the domestic market after it obtained approval yesterday from the Israeli health ministry, the first authority to grant such permission.

The move means Teva is poised to compete with Schering, the German pharmaceuticals group, which has been selling its own multiple sclerosis drug, Betaferon, in Israel after launching the product in Europe nearly 18 months ago.

It also means that Teva will now step up its efforts to seek approval from the UK and other European Union authorities once the US Food and Drug Administration gives the final go-ahead for Copaxone to be marketed in the US. Analysts said Copaxone could bring in additional revenues of between $300m and $400m in the next three years. Teva had sales of $811.3m in 1995. The number of multiple sclerosis patients in Israel is estimated at between 2,500 and 4,000. *Judy Dempsey, Jerusalem*

Winterthur in Swiss shake-up

Winterthur, the Swiss insurance group, is to integrate its domestic operations under common management and transfer the business of its Neuchatel Insurance unit into the group, resulting in 150 job losses. The group said the restructuring would be effective from January 1 1997. It was becoming increasingly difficult for its Neuchatel unit to continue to conduct insurance business with external sales outlets throughout Switzerland because of its small size, it said. *AFX News, Winterthur*

Dresdner sets direct targets

Dresdner Bank's new direct banking operation, to be launched next year, should produce an average net return of 15 per cent in the first 10 years on the DM150m ($100m) of capital to be invested, Mr Heinz-Jörg Platzek, a director, said. This included start-up losses. Break-even point should be reached in five years.

Mr Platzek said the direct bank, with 170 staff, would serve European customers outside Germany when the euro was introduced as the single currency. The aim of the new bank is to attract about 500,000 customers over 10 years. *Andrew Fisher, Frankfurt*

CFF shares suspended

Crédit Foncier de France shares were suspended yesterday pending a ruling by the Paris appeal court on Caisse des Dépôts et Consignations' FFr70 a share bid for CFF on behalf of the French state, the bourse authorities said. *AFX News, Paris*

Deutsche Bank branch revamp

Deutsche Bank is to streamline its regional organisation as part of a drive to cut costs and improve service. Its domestic branch network will be divided into eight main regions instead of 18. *Andrew Fisher*

Comments and press releases about international companies coverage can be sent by e-mail to international.companies@ft.com.

BASF upbeat despite third-term slip

By Andrew Fisher in Ludwigshafen

BASF, the German chemicals concern, yesterday reported a rise of 9 per cent in pre-tax profits for the first nine months to DM3.37bn ($2.25bn), despite a weaker third quarter. It said the result for the full year should at least match that of 1995.

Mr Jürgen Strube, chairman, said this would put the group in a good position to move ahead in 1997. "We expect the revival of business in Europe to continue in the fourth quarter and in the coming year." October's order inflow was well above the September level, he added.

The results were roughly in line with expectations, but the shares eased in early dealings – though later closing 26 pfennigs higher at DM51.60 – on the news that third-quarter pre-tax profits had slipped 2 per cent to DM1.05bn.

Sales in the quarter were 7 per cent higher, at DM11.85bn.

In the January-September period, sales were 3 per cent higher at DM36.12bn and the group said full year's sales should rise at the same rate. Volumes improved 3.7 per cent in the first nine months but lower selling prices depressed sales 3 per cent.

Favourable currency trends had added 1.6 per cent, while the net effect of acquisitions – mainly Zeneca's dyes business and the pharmaceuticals activities of Boots of the UK – and disposals was to enhance sales by 0.5 per cent.

The company said the 1996 return on total assets would not quite reach last year's level of 11.2 per cent before tax.

BASF's target is an average return of at least 10 per cent over an economic cycle. In 1989, it reached 14.4 per cent, but Mr Strube said BASF would not return to this level next year.

The group planned to reshape its business portfolio further to improve its returns and to become more resistant to cyclical trends, he said.

BASF would continue its policy of disposals to strengthen its position in Europe, while adding to its internally generated growth in other markets through acquisitions.

Mr Strube said the overall restructuring of the chemical industry offered "considerable opportunities" for BASF.

It has recently announced a flurry of deals aimed at sharpening its performance.

In addition, the group is investing heavily in Asia, where Mr Strube said sales and profits were increasing rapidly.

However, he stressed that BASF still regarded Europe as its home market. At present growth rates, it would take 15 years for Europe to be overtaken by Asia as the world's largest chemicals market.

Novo Nordisk up 14%

By Hilary Barnes in Copenhagen

Novo Nordisk, the Danish pharmaceuticals and enzymes producer, met expectations with a 14 per cent increase in pre-tax profits in the first nine months of the year. But the rise in net profits was kept to 11 per cent by higher tax.

Sales of insulin and diabetes care products rose 12 per cent to DKr5.57bn ($967m). Strong growth in insulin pen injection products were a feature of the growth, said Novo Nordisk, while in the US sales of diabetes care products, measured in dollars, were ahead 10 per cent.

Total sales after nine months increased 4 per cent, from DKr10.27bn to DKr10.72bn, but after allowing for disposals sales increased 9 per cent – 11 per cent measured in local currencies – the group said.

Operating profits rose 12 per cent, from DKr1.57bn to DKr1.76bn, and net financial income by 58 per cent to DKr126bn, taking pre-tax profits from DKr1.65bn to DKr1.89bn.

The tax rate rose from 27 per cent to 29 per cent, which held the increase in net profits to DKr1.34bn from DKr1.20bn last year.

Earnings per share increased from DKr32.23 to DKr35.83. The company announced a share split, reducing the trading value of B shares from DKr20 to DKr10 per unit and the ratio of American Depositary Shares from 1:4 to 1:2, with effect from January 2 1997.

Nordic sales of Seroxin, an anti-depressant, rose 30 per cent and licence income from international sales was DKr250m.

A new treatment for haemophilia, NovoSeven, achieved sales of DKr88m in the first nine months, and a new epilepsy drug, Gabitril, was introduced in Denmark this month.

Sales by the healthcare division, including insulin, increased 8 per cent to a total of DKr7.93bn.

Sales by the industrial enzymes division, in which Novo Nordisk claims to be the world market leader, were up 7 per cent to DKr2.57bn.

Novo Nordisk maintained its earlier full-year forecast of a 10-15 per cent rise in pre-tax profits.

Incentive held back by strong krona

By Hugh Carnegy

Incentive, the Wallenberg industrial group remodelled to focus on medical technology, yesterday reported a 60 per cent rise in pre-tax profits due to one-off gains. But underlying earnings were flat, held back in part by the strength of the Swedish krona.

Pre-tax profits rose from SKr2bn at the same stage last year to SKr3.1bn ($468m), lifted by non-recurring gains of SKr2.6bn. Most of the one-time profits were accounted for by a SKr1.9bn capital gain from the sale in the third quarter of Skandinaviska Elverk, a power generator sold off as part of the restructuring of Incentive. Earnings per share were up from SKr22.65 to SKr35.20.

Operating profits for comparable operations fell slightly from SKr1.39bn to SKr1.38bn.

There was a marginal fall in operating profits in the medical technology division, now by far Incentive's biggest unit and made up of Swedish-based Gambro, one of the world's leading renal care specialists.

Gambro's operating earnings fell from SKr1.11bn in the nine months to September last year to SKr1.08bn in spite of a rise in sales from SKr7.6bn to SKr8bn.

But Incentive said Gambro's underlying earnings were up 10 per cent after adjusting for negative currency effects and the write-down of goodwill on Gambro's acquisition in the US of the REN kidney treatment group. In the third quarter, Gambro's operating profits rose from SKr337m last time to SKr370m on sales up from SKr2.5bn to SKr2.65bn.

This helped group third quarter operating profits to rise from SKr411m to SKr479m. Incentive saw this as justification of its recent strategy to narrow its wide industrial spread and concentrate on medical technology.

The other main operations in Incentive are the environment division, making air conditioning and similar products, and the materials handling unit. Operating profits in the former rose from SKr158m in the nine months to September last year to SKr207m, while profits in materials handling dropped from SKr116m to SKr46m.

Investors shrug off 43% fall at MoDo

By Hugh Carnegy in Stockholm

Shares in MoDo, the Swedish pulp and paper group, rose sharply yesterday despite a 43 per cent fall in the company's profits in the first nine months.

Pre-tax earnings slid from SKr4.3bn at the same stage last year to SKr2.5bn ($378m). Earnings per share fell from SKr36.10 to SKr18.80. But this was at the top end of analysts' expectations after a dismal year so far for the forestry industry caused by weak demand and falling prices.

Year on year, MoDo's third quarter profits fell by a bigger margin – from SKr1.7bn to SKr608m. But the result was ahead of profits in the second quarter and the company said demand and deliveries had risen during the third quarter.

The group's most-traded B share was up SKr8.00 after the results were announced, before ending the day up SKr3.00 at SKr181.

Nevertheless, the weaknesses in the sector were apparent in MoDo's result. It said currency hedging accounted for SKr1.4bn – or more than half – of the nine-month profit. The group's net currency flow is hedged to the end of the year, with further contracts extending into 1997. It acknowledged its underlying performance would be more exposed next year.

Mr Bengt Pettersson, chief executive, also warned against over-optimism about a recovery in the sector, adding his voice to those saying there were mixed signals in the market about price and demand developments. MoDo, a net seller of wood pulp, said prices for the commodity were "under some pressure".

MoDo said group sales dropped from SKr17.2bn to SKr15bn in the first nine months, leaving operating profits down from SKr4.8bn to SKr2.8bn.

Pulp prices slide, Page 26

EUROPEAN NEWS DIGEST

Pechiney warns on fourth quarter

Pechiney, the French aluminium group, warned that it expected a sharp deterioration in activity and earnings in the fourth quarter, which would produce a net loss for the second half. The first half of the fourth quarter was marked by a fall in aluminium prices and a mediocre trading environment for its drinks can activities. This, Pechiney said, had led to a fall of sales in the US and Europe, to the temporary halting of certain production lines and the shutdown of a drinks can factory in the US.

The group had previously warned that full-year results would be affected by exceptional provisions, and by the consequences for the group of a US lawsuit brought against its American National Can subsidiary. Group sales were FFr49.09bn ($9.68bn) in the nine months to September, compared with a pro forma FFr51.03bn a year earlier. The year-earlier figure excluded turnover from activities sold in 1995, it said. *Agencies, Paris*

Sales slide at Usinor Sacilor

French sales

First nine months

	Sales FFR bn	% change
Alcatel Alsthom	111.5	-4.5
Bouygues	49.8	-0.4
Schneider	45.6	3.5
Lagardere	37.6	0.8
Lafarge	25	-4.5
Usinor Sacilor*	16	-10.4
Bull	15.67	-11.4
Moulinex**	3.35	-2.6
Eurotunnel	2.82	102
CGIP	1.37	9.1

*Q3 **first half Source: Companies

Usinor Sacilor, Europe's biggest steel maker, yesterday reported a decline of more than 10 per cent in third quarter turnover as sales prices and volumes continued to fall. But the Paris-based company was relatively upbeat about prospects for the rest of the year and beyond, saying most prices had now stabilised, with some registering an improvement that was likely to continue into 1997. These hints of a brighter outlook did not prevent the shares from slipping 1.5 per cent to FFr78.60. The company said in September its second half results were likely to be "weaker than first-half figures" while remaining "clearly positive". Net attributable half yearly income slid 65 per cent from FFr2.36bn to FFr833m.

The strongest third-quarter price fall – of 16.8 per cent – was for stainless steels and alloys. Prices for flat products were down 8.7 per cent and those for special steels only 4 per cent.

The decline in volumes was most pronounced in the special steels product group, at 8.4 per cent. This compared with a fall of 2.3 per cent for stainless steels and alloys and 1.9 per cent for flat products. The overall third-quarter turnover decline was from FFr18.09bn in 1995 to FFr16.01bn. *David Owen, Paris*

Air France aims at break-even

Air France is maintaining its goal of breaking even in the 1996-97 financial year, despite the recent increase in fuel costs. In an interview in today's edition of Les Echos, the French financial daily, Mr Christian Blanc, chairman, also hints strongly that the state-owned carrier is interested in acquiring AOM, its regional rival. "How can Air France and its shareholder be indifferent to the fact that AOM might one day end up in British Airways's basket?" he asks. In addition, he suggests the airline's fleet development plans will include both Boeing of the US and Airbus. *David Owen*

COMPANIES AND FINANCE: ASIA-PACIFIC

Results vary in Japan rail sector

By Gwen Robinson in Tokyo

Two railway companies that went public within three years of each other yesterday reported contrasting interim results, in spite of increased revenues.

East Japan Railway, known as JR East, announced a 3.3 per cent fall in unconsolidated recurring profit for the first half to September, to Y65.93bn ($592m), attributed primarily to early redemption of high interest-bearing corporate bonds.

Revenue rose 1.2 per cent, to Y986.91bn, while net profit edged up 0.6 per cent, to Y34.98bn.

Mr Eiji Hosoya, managing director, said early redemption of the debentures, worth about Y250bn with interest rates of 5 per cent or higher, caused losses of about Y30bn. The group has taken out new debt at lower interest rates.

Revenue from railway business rose 1.6 per cent, to Y949.4bn, although revenue from other operations fell 8.3 per cent, to Y37.4bn, because of weak sales at stores operated by the company.

Mr Hosoya noted strong growth in the number of commuters, which helped revenue from bullet-train services grow 2.5 per cent and that from Tokyo metropolitan subway lines increase 1.2 per cent.

In October 1993, the company became the first of the government's Japanese National Railways group to privatise after JNR was broken up in 1987. Investor interest in the public offering ran so high that the stock launched on the market at Y600,000, some 60 per cent above its offering price, and promptly plunged a week later.

Yesterday the stock fell Y1,000 to close at Y525,000.

For the full year to March, JR East expects a recurring profit of Y103bn, up 0.8 per cent from a year earlier, and net profit of Y58bn, up 1.0 per cent.

Overall revenue is projected at Y1,960bn, almost unchanged from the previous year's Y1,957bn.

In contrast, West Japan Railway, or JR West, reported that unconsolidated recurring profit for the first half rose 8.6 per cent, to Y37.94bn, mainly as a result of strong performances in the company's railway, travel and shipping businesses.

Operating revenues rose 3.6 per cent, to Y479.50bn, and net profit surged 45.9 per cent to Y23.33bn, or Y11,664.88 per share, up from Y7,997.32 a year earlier, before the company's privatisation.

The second railway to be privatised, JR West launched modestly on the stock exchange in October, opening at Y360,000 and ending its first trading day at Y367,000 – just 2.8 per cent above its initial public offering price of Y357,000. In yesterday's trading, JR West fell Y1,000 to Y373,000.

JR West said it would pay an interim dividend of Y2,500, unchanged from a year earlier. For the year to March, JR West predicts recurring profit of Y55bn and net profit of Y33bn, on operating revenues of Y950bn.

Strong performance at Japanese office automation group

Ricoh increases profits by 25%

By Daniel Bögler in Tokyo

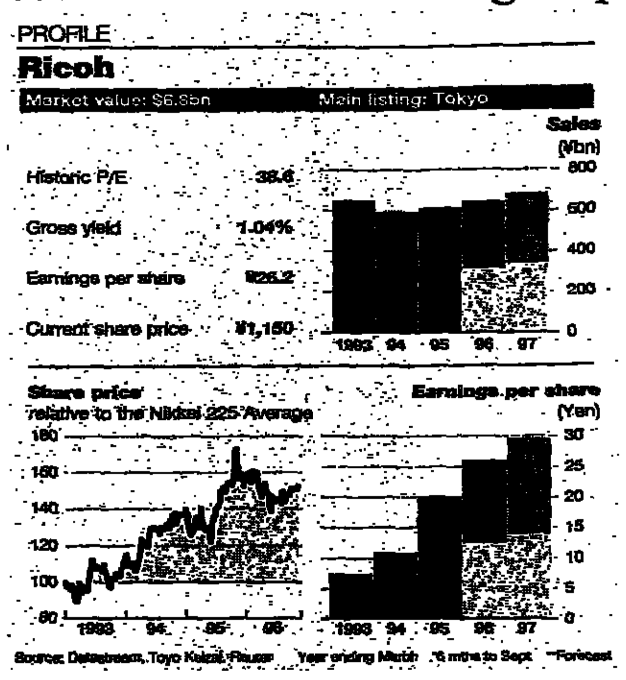
New products, including an advanced range of digital photocopiers, high-resolution laser printers and a compact digital camera, were behind another strong performance at Ricoh, the Japanese office automation group.

In the six months to September, Ricoh's ordinary profits, before tax and extraordinary items, increased by a quarter to Y17.8bn ($160m) on sales 8 per cent higher at nearly Y337bn. Operating profits jumped 77 per cent to more than Y20bn, helped by a combination of new higher-margin products and continued reductions in back-office costs.

Ricoh has carried out an aggressive restructuring programme over the past three years and its 6 per cent operating margin is now one of the best in the industry.

The formerly mature photocopier market has received a fillip over the past two years from the introduction of colour machines and digital copiers, which can be integrated with facsimile machines and printers and linked to computers on-line. Ricoh, though behind its main rivals Canon and Xerox in colour copiers, is Japan's leading producer of digital machines and has been a beneficiary of the market's return to growth. In the latest half-year, its sales of copiers, which make up 71 per cent of the total, grew by 8 per cent in Japan and 22 per cent overseas – helped by the weaker yen.

For the full year, Ricoh is predicting a 6 per cent sales increase to Y683bn and an 18 per cent advance in pre-tax profits to Y37.5bn. However, its consolidated results are likely to show slower growth due to the integration of Gestetner, the highly-indebted UK copier distributor which it bought in September 1995.



Analysts said that while the Gestetner acquisition would hold back short-term growth, it would help Ricoh to increase its international exposure, which at 28 per cent of total turnover lags behind Canon's 70 per cent.

Ricoh also forecast it would pay Y2 in special dividends to raise its annual dividend 20 per cent, to Y12 a share. This amounts to a payout ratio of 40 per cent of earnings, which is unusually high for Japan and reflects the group's strong balance sheet.

Metway Bank merger backed

By Nikki Tait in Sydney

Shareholders in the Queensland-based Metway Bank yesterday gave overwhelming backing to a merger that will group the state's three largest financial institutions into one "mega-bank" with assets of around A$19bn (US$15bn).

Metway Bank – which had previously planned to merge with St George Bank, a New South Wales-based regional bank – was given almost unanimous approval by its shareholders for the acquisitions of Suncorp Finance and Insurance and Queensland Industry Development Corporation from the state government. In return, Metway is issuing additional securities to the state government.

The government, in turn, is offering to buy out Metway's existing shareholders at A$4.80 in cash – although directors are not recommending acceptance, given the current share price, which closed at A$5.64 yesterday.

"Shareholders who choose to remain part of the merged entity will become investors in the leading Queensland financial institution, with strong market positions in banking and insurance," they said yesterday.

The relatively smooth vote yesterday will mean the new entity comes into being next month.

However, the vote follows a fairly fraught six months, during which St George tried to continue with its own merger plan, and Bank of Queensland, in which Suncorp owns a significant stake, declined to join the state government's scheme.

Meanwhile, there was continuing political controversy yesterday over the extent of the job losses which might result from the merger, with opposition leaders talking of 1,500 jobs being shed.

The government did not deny that some restructuring would result, but claimed that the situation would have been worse had the St George deal proceeded.

A chief executive for the new entity has also not been chosen, although Mr John Lamble, head of the merger planning group, said yesterday that an appointment was expected to be made by year-end.

Disappointing debut for Anhui

By Louise Lucas in Hong Kong

Anhui Expressway, a builder of highways in the eastern Chinese province of Anhui, saw its share price go into reverse on its trading debut in Hong Kong yesterday – in stark contrast to the market, which hit a new high.

The company's shares closed at HK$1.58, down 19.5 per cent on the HK$1.77 issue price. The Hang Seng Index, Hong Kong's benchmark, ended the day at a record 12,943.69, up 1.07 per cent.

The initial public offering of Anhui Expressway, which is the 22nd former state-owned Chinese enterprise to attain a Hong Kong listing through H shares, was barely subscribed and the price had been expected to fall.

The company raised some HK$872.6m (US$113m) through the sale of 493.01m H shares. Of these, 15 per cent were sold in Hong Kong through an IPO and the balance placed out.

Anhui Expressway owns, operates and develops toll roads. It operates the 134km Hening Expressway, which is part of the Shanghai-Chengdu trunk road, and will acquire a section of the north-south coastal trunk road next year.

Equity issues of road companies in Hong Kong are proving less popular in the current round of IPOs – in part because the sector has been tarnished by problems that have delayed the progress on Mr Gordon Wu's pioneering highway in southern China.

Analysts have also complained that some companies are too optimistic in their forecasts of toll revenues.

PLN signs benchmark power deal

By Manuela Saragosa in Jakarta

Indonesia's state-owned electricity company, Perusahaan Listrik Negara, yesterday signed a power purchase agreement for the first large-scale solicited coal-fired project since the landmark Paiton power agreements.

The power purchase agreement (PPA) for the 400MW plant in West Java is expected to set a new benchmark for coal-fired projects in Indonesia.

PLN has agreed to buy electricity at US$0.0606 per kilowatt hour for 30 years from Dayalistrik Pratama, a consortium 45 per cent-owned by Italy's Ansaldo Energia.

Sachsen Holding, a subsidiary of NRG Energy of the US, has a 45 per cent stake in Dayalistrik, while Indonesia's Fenergi Cipta has 10 per cent.

Fenergi Cipta is controlled by Indonesian timber tycoon Mr Mohammad Hasan, a close associate of President Suharto.

Dayalistrik's price is significantly lower than the PPAs sealed for the coal-fired Paiton I project. Indonesia's first private power "experiment", which set a rate of US$0.0856 for the first six years, coming down eventually to US$0.0554.

The Siemens-led consortium that concluded the second phase of the Paiton project agreed to sell power to PLN at US$0.06598 per kilowatt hour.

Separately, Mr Djiteng Marsudi, PLN's president director, played down concerns over PLN's short-term debts following a report that BPPK, the state-owned auditing agency, had downgraded its rating on PLN to "unhealthy" because of cash flow problems.

Mr Marsudi said that although PLN's short-term debts now amount to Rp1,200bn ($514m), the company's assets were worth Rp50,000bn, and PLN intended to proceed with its plan to list two of its power generating units.

PLN's cash flow problems have not deterred unsolicited private power projects from pouring into the country, however.

Several projects have yet to be signed, including the Java-based Tanjung Jati-A coal-fired 2 X 600MW and Cilacap 400MW plants, and the Serang 400MW plant in west Java.

Construction of the West Java plant is expected to start in the first half of 1997, with completion set for 1999.

Financial closure is scheduled to take place next year.

Thai banks increase profits

By Ted Bardacke in Bangkok

Two leading Thai commercial banks reported higher third-quarter net profit figures yesterday, and highlighted the different strategies they are employing to withstand the country's economic downturn.

Thai Farmers Bank, the country's third-largest bank, said third-quarter net profits rose 7 per cent year-on-year, to Bt3.18bn ($125m). Nine-month profits of Bt9.37bn were 8.8 per cent higher than those for the first nine months of 1995.

Siam Commercial Bank, Thailand's fourth-largest bank, said third-quarter net profits were up 17 per cent, to Bt2.3bn, while nine-month profits rose 15.5 per cent to Bt6.63bn.

Both sets of results were in line with analysts' expectations. The figures show that while Thai Farmers Bank is increasing provisions to deal with rising non-performing loans and maintaining some of the highest margins in the industry, Siam Commercial Bank is attempting to outgrow the Thai economy, building up assets at the expense of margins and choosing profits over provisions.

Thai Farmers increased its provisions 64 per cent in the third quarter to Bt700m, which together with declining income in other areas affected its bottom line.

The bank's core business remains strong, with margins improving in the first quarter of the year, from 4.5 per cent to 4.7 per cent, one of the highest in the industry.

Thai Farmers also increased loan growth in the quarter to 13 per cent year-on-year, the highest growth in the year so far.

Siam Commercial Bank did not release a full balance sheet, but Mr Philip Gawsawadikul, banking analyst at HG Asia, said that while non-performing loans as a percentage of total loans were estimated to have climbed to just above 4 per cent, provisioning levels remained steady, allowing the bank to post higher profit growth.

Margins also increased in the third quarter, to nearly 3.6 per cent.

Siam Commercial's loan growth of an annualised 26 per cent continued to be the highest in the industry.

China shown secret ingredient

Arthur Meyerson

Chinese schoolchildren, part of a market of 1.2bn consumers, queue for a drink of the increasingly popular Coca-Cola

Marketing has helped Coca-Cola overcome initial buyer resistance

Mr John Farrell, president of Coca-Cola China, likes to attribute Coca-Cola's success in China to the magical properties of the American soft drink, though its achievements have not come easily.

"It's a unique product. There's nothing like it," says Mr Farrell of the brown elixir which many Chinese thought tasted like cough mixture when it was launched on the market. Coca-Cola re-entered China in 1979 in a blaze of publicity after Sino-US relations were normalised – but it took until 1990 for the company to make a profit out of its China operations. Now it appears to have reached "critical mass".

Coca-Cola announced last month it was trebling the size of its Hangzhou bottling plant to serve 40m potential customers in Zhejiang province south of Shanghai. This follows the opening of the company's 18th bottling plant in China, in the city of Harbin in north-eastern Heilongjiang province.

By the end of next year, Coca-Cola aims to have 23 plants operating in China, with a total investment of $500m and access to about 80 per cent of the country's 1.2bn consumers.

Sales this year have already passed last year's, with some 200m cases – the equivalent of nearly 5bn bottles of Coke or just under five bottles per person – sold in China. Total sales last year were about 187m cases.

To overcome initial buyer resistance to the "strange-tasting" product, Coca-Cola's main investment has been in marketing. "The real investment in this type of business is marketing, advertising and promotion," says Mr Farrell.

Spending on advertising has doubled this year, and will double again next year, but Coca-Cola executives are coy about details. Television has been one of the most effective ways of promoting Coke or "Ke Kou Ke Le" as it is known in Chinese (which translated literally means "Delicious and Happiness").

The company's biggest success has been in Shanghai, where annual per capita consumption of Coke is 45 bottles, and Coca-Cola expects to pass the 100 mark within a few years. In the US, average annual consumption is 300 bottles per person.

The Harbin plant is part of an attempt to win markets beyond China's prosperous coastal provinces. China's north-east industrial heartland is relatively depressed. Next year's four scheduled plant openings will be in inland provinces.

Coca-Cola tailors its products for different parts of China. In big cities, the company markets the full range of Coca-Cola products – including Fanta, Diet Coke and Sprite. Elsewhere, the focus is on Coke itself – and the bulk of sales are in the form of returnable glass bottles, rather than the more expensive aluminium cans.

However, with 98 per cent of materials sourced locally, a bottle of Coke is within reach of a large percentage of consumers, including those from poor inland provinces. Nationalist rumblings in China do, however, cast a shadow over Coca-Cola's ambitious plans. The company's success in displaying its distinctive logo around the country and its leading share of the carbonated soft drinks market – 22.8 per cent last year – has made it a target for campaigns against Chinese homegrown products being swamped by foreign companies.

In response, the company has complied with a government request that it should do more to help the Chinese soft drinks industry. It now has about eight local brands through joint ventures in China. "We have a goal that about 30 per cent of our products should be indigenous Chinese products." Mr Farrell says.

PepsiCo page 22

Sophie Roell

Toshiba sells stake in chip venture

By Michiyo Nakamoto in Tokyo

Motorola, the US semiconductor and telecommunications company, has acquired Toshiba's 49.95 per cent stake in a semiconductor distribution joint venture established by the two companies in Japan seven years ago.

The US company decided to acquire all of Nippon Motorola Microelectronics (Nimmec) in order to gain greater access to the Japanese market.

It added that the initial objectives of the joint venture had been achieved.

The move indicates greater confidence among US companies in the Japanese market, where the share of foreign semiconductor makers has increased from about 9 per cent in 1986 to more than 30 per cent this year, according to the Electronics Industries Association of Japan.

Nimmec was established in the heat of trade friction between the US and Japan over the difficulties faced by foreign semiconductor makers trying to break into the Japanese market.

In 1987, the US imposed 100 per cent tariff increases on Japanese-made PCs and other products, on the grounds that Japan had violated a bilateral agreement concluded in 1986 to improve foreign access to its market and prevent Japanese dumping of semiconductors in the US.

Against this background, the initial goals of Nimmec – which distributed both Motorola brand semiconductors and Toshiba brand semiconductors made at a joint-venture plant in Japan – were to help Motorola sell its products to the Toshiba group and to other Japanese companies.

However, Motorola decided that, with Nimmec's sales rising to more than Y10bn ($90m) last year, the joint venture had achieved its initial objectives.

The manufacturing facility that Motorola has established with Toshiba in Japan – Tohoku Semiconductor, which produces about 9m semiconductors a month – will remain as a joint venture.

Yamaha Motor surges

By Daniel Bögler in Tokyo

Yamaha Motor, the world's second largest manufacturer of motorcycles, more than trebled recurring profits to Y4.5bn ($40m) in the six months to September, largely due to strong export demand for motorcycles and the positive effects of the yen's depreciation.

Sales rose 8 per cent to Y246bn. Net profits nearly doubled to Y1.6bn, but the group is leaving the interim dividend unchanged at Y3 a share.

For the year to next March, Yamaha Motor is projecting recurring profits of Y8.5bn, up 49 per cent, and a 6 per cent increase in turnover to Y495bn.

The company said sluggish domestic demand for motorcycles was being offset by strong sales in Europe, while the special vehicles division was doing well due to strong demand for snowmobiles in North America.

Yamaha Motor is 33 per cent owned by Yamaha Corporation, the world's biggest maker of musical instruments.

Management reshuffle at Swire

By John Ridding in Hong Kong

The Swire Group and Cathay Pacific, the Hong Kong-based airline in which it holds a controlling stake, yesterday announced several senior appointments which mark a step towards the increased localisation of the carrier's top management.

In a related reshuffle, a Swire executive has been appointed to the top operating post at Dragonair, the regional carrier with a large mainland Chinese shareholding that was the subject of a strategic ownership restructuring earlier this year.

Under the reorganisation, Mr Peter Johansen becomes finance director of the Swire Group in Hong Kong. He is replaced as finance director of Swire Pacific, the locally-listed arm of the UK-controlled conglomerate, by Mr Simon Heale, deputy managing director of Cathay Pacific.

This clears the way for the appointment of Mr Philip Chen to the number two slot at Cathay. Mr Chen, who is currently the chief operating officer at Dragonair, is tipped as an eventual successor to the top post at Cathay.

Mr David Turnbull is set to take the top job, following Mr Rod Eddington's move to Ansett, the Australian airline. His resignation in September triggered the upheaval at Cathay.

At Dragonair, which is 36 per cent owned by China's CNAC, Mr Chen is replaced by Mr Stanley Hui, the chief operating officer of Air Hong Kong. The cargo carrier is a subsidiary of Cathay, which seconded Mr Hui to the post.

Aviation analysts welcomed yesterday's moves. "It secures a line of succession in the future at Cathay," said one. "More important, it keeps a Swire person at the top of Dragonair."

In his view, this will help ensure co-operation between Cathay and CNAC and reduce the potential for disputes between the shareholders, which also include Citic Pacific, the Hong Kong arm of Beijing's flagship investment vehicle.

Following the restructuring of Dragonair earlier this year, in which Swire and Cathay reduced their controlling stake, there were fears of competition between the two main Hong Kong carriers and of future friction between Swire and its mainland partners.

The appointments take effect between February and April next year, with the exception of the change at the top of Cathay, which takes effect at the beginning of next month.

COMPANIES AND FINANCE: THE AMERICAS

Pepsi launches attack on Venezuela market

By Raymond Colitt in Caracas

Pepsi-Cola yesterday launched an offensive to recapture the Venezuelan soft drinks market by forming an alliance with the country's largest food and drinks group, Empresas Polar.

The deal comes three months after Pepsi's long-time bottler, the Cisneros group, defected to rival Coca-Cola. Venezuela was one of the few markets where Pepsi had an edge in sales over its competitor.

Earlier this month, Mr Roger Enrico, PepsiCo chairman-elect, said "there have been important problems in Latin America" and that "no doubt mistakes have been made". But he insisted the company was on the rebound, particularly in Venezuela. He added that Pepsi would also seek to strengthen its Mexican bottler, Gemex.

Although Pepsi's products disappeared overnight from restaurants and supermarket shelves throughout Venezuela, the company is confident the new alliance will allow it to recapture the 45 per cent market share it had only months ago.

"Polar has a unique production and distribution system," said Mr Craig Weatherup, chairman and chief executive officer. "That solid base, combined with consumer preference for Pepsi, gives us great confidence for the future."

Yet Polar, the country's largest beer brewer with an estimated 80 to 90 per cent market share, said the new soft drinks operation would remain entirely separate from its brewing and distribution facilities. Mr Oswaldo Giménez Pocaterra, president of Empresas Polar, said that more than $380m would be invested in production plants and an entirely new distribution network.

Initially, a joint venture in which Polar holds a 70 per cent stake will bottle and distribute Pepsi products in central Venezuela, moving to cover the remainder of the country from next year.

Empresas Polar last year had sales of $1.8bn, of which about 60 per cent came from the sale of beer. Its own soft drinks brand, Golden, makes up less than 5 per cent of the soft drinks market but will continue to be produced alongside Pepsi products.

Pepsi is awaiting a decision by Venezuela's antitrust agency, Procompetencia, on whether the deal between Coca-Cola and the Cisneros group violates anti-monopoly laws. Pepsi says that Coca-Cola and the Cisneros group hold 98 per cent of the market, including the Hit brand-name soft drinks. Procompetencia says it will announce a decision by December 10.

Pepsi-Cola rejected an offer by the Cisneros group to acquire three bottling plants as a foothold for its continued operation in Venezuela.

Coca Cola's China success, Page 21

A sharp change of direction at Westinghouse

The US has been treated to two very different styles of corporate restructuring this week – the choice between cutting companies down or cutting them off.

On Tuesday, Mr Albert Dunlap, a man who has revelled in his reputation as the foremost "corporate killer" in the US, demonstrated the blunt method. Hired in June to sort out Sunbeam, a consumer products company, he announced plans to sell or close large parts of the company, in the process halving its 12,000-strong workforce and reducing its product line by 85 per cent.

By the end of next month, he declared, the overhaul would be largely complete.

But yesterday the spotlight passed to Mr Michael Jordan, a former McKinsey consultant whose cerebral manner and dowdy image make him about as far removed from the blunt Mr Dunlap as it is possible to be.

Mr Jordan has taken three-and-a-half years to unravel Westinghouse Electric, an old industrial conglomerate whose range of businesses has long prompted comparisons with General Electric but whose woeful financial performance puts it in a very different league.

Not coincidentally, perhaps, Mr Dunlap himself was heard to muse not long ago that he could do a quicker and more effective job of sorting out Westinghouse than its current management.

Mr Jordan, who has been advised by J. P. Morgan, is now close to finishing the job. As expected, the company said yesterday that it planned to spin off what remained of its traditional industrial businesses into a separate company, leaving it a pure media organisation – a job that would take about nine months to complete.

For Westinghouse's long-suffering shareholders, has it been worth the wait?

Certainly, this is not what Mr Jordan promised when he joined the company. He described his job then as one of reversing a costly move into financial services, and of peeling back layers of unnecessary cost and management to reveal a group of businesses with strong technology and market positions beneath.

Like peeling an onion, though, the chairman's attempts to strip Westinghouse have left nothing beneath.

Associates now say that the problems facing the company's 18 separate and unrelated businesses simply proved too deep-rooted. "I don't think anyone realised – including Mike and his management team – how ghastly this was," one said yesterday.

Michael Jordan: set for new career as media baron Reuter

With earnings failing to rise and Westinghouse's shares stuck stubbornly below their level when he joined the company, Mr Jordan has decided over the past year to execute a sharp change of direction, spending $9.3bn in an unlikely attempt to reposition the company as a media group. That has been financed, in part, by the piecemeal sale of industrial operations.

His reward: Westinghouse's shares have finally climbed out of the basement this year, trading at $19% yesterday lunchtime, compared with the $12 level at which they had been stuck for much of his time at the helm.

Shedding the last of the industrial units was the latest attempt to revive interest in the stock, presenting Wall Street with a new, pure media company in which to invest, unencumbered by the legacies of the past.

The value in the industrial unit – a company that will inherit the Westinghouse Electric name – is attributable mainly to Thermo King, its refrigerated transport unit. The company itself has suggested that this business could be worth upwards of $2bn.

Thermo King will generate earnings before interest, taxes and depreciation of around $225m on sales of $1.2bn next year, estimates Mr Nick Heyman, an analyst at NatWest Securities in New York.

Thermo King will be tied, though, to a power generation business which has proved to be one of Mr Jordan's most intractable problems. Comprising mainly a manufacturer and servicer of generation equipment and a nuclear power unit, the business has been beset by fierce price competition from more efficient producers such as General Electric.

Leaving aside Thermo King, the industrial unit will generate $250m cash on $4.5bn of sales next year, Mr Heyman estimates. Most Wall Street analysts put the value of the unit as a whole at $3-$6 a share, or anything from $2bn-$4bn in total.

The bulk of Westinghouse's value will be left in its broadcasting unit – along with the $1.8bn of tax losses that remain from the company's dark days. This business is worth $18-$22 a share, according to most Wall Street estimates.

As yet it is too early to judge whether Mr Jordan will make a good media baron. CBS, the weakest of the US's three big television networks when he bought it, has started the autumn season on a stronger note. But its recovery is far from assured.

The television stations acquired along with CBS, meanwhile, are said to be becoming more profitable under the influence of Westinghouse's own highly regarded broadcast unit, Group W. But there is little hard evidence to tell how successful they may become.

Richard Waters

AMERICAS NEWS DIGEST

Flow into US equity funds slows

Net cash flow into US equity mutual funds, widely regarded as the key to the sustained stock market rally of the past two years, appears to have slowed substantially last month. Total investment in equity funds – total new money minus total redemptions – was provisionally estimated at $13bn during October, according to the Investment Company Institute, which monitors flows for the industry. It was down significantly from September's final figure of $17.4bn.

The current level is high in historical terms, and is comfortably ahead of the $9.6bn inflow recorded in October last year. But it confirms that small investors are now putting money into mutual funds at a significantly slower rate than they were in the first five months of this year, when average inflows were $24bn.

Mr John Rea, the institute's chief economist, said anecdotal evidence suggested the slowdown was greatest for funds investing in US equities, rather than for international funds. There was an estimated outflow of $500m from bond funds, the fourth time in six months that the sector had experienced slight outflows.

John Authers, New York

Conrail turns down Norfolk

Conrail, the Pennsylvania-based railway company at the centre of a bidding war, yesterday formally recommended its shareholders not to accept the latest hostile offer for the company from Norfolk Southern. It confirmed that it would continue with its plans for a friendly merger with CSX. However, the two railroads were unable to agree on any improvements to the current offer from CSX, which is 40 per cent in cash and 60 per cent in stock, and values Conrail at about $93.70 per share, or about $8.5bn. Norfolk Southern's hostile all-cash offer is for $110 a share, or about $10bn.

Conrail said it had been in discussions on a possible increase in the terms of CSX's offer, but said: "There can be no assurance as to when or if any such modifications will be made." CSX last week increased its offer price, saying it had identified an extra $180m in synergies and cost savings, bringing projected savings to $730m.

John Authers

Campbell Soup ahead 14%

Campbell Soup yesterday reported record sales of just over $2bn for the first quarter of its financial year, up 3 per cent on the same period of the previous year. Excluding special charges, net income jumped 14 per cent to $248m, producing earnings per share before charges of $1.01, up from 88 cents the previous year, and slightly higher than analysts' estimates.

"Record results were driven by the powerful combination of 11 per cent higher sales in worldwide wet soup along with strong gains in productivity," said Mr David Johnson, Campbell chief executive officer, adding that margins had improved as a result.

As previously announced, the company took a special charge of $160m to cover restructuring costs, including plant closures and asset sales. This brought net income down to $88m and earnings per share to 38 cents. The company also said it had bought back more than $1bn of shares in October.

Tracy Corrigan, New York

Sherritt offering raised

A $300m debenture offering by Canada's Sherritt International Corporation, which plans to expand its investments in Cuba, was increased to $675m after the underwriters exercised an over-allotment option of $375m in response to market demand. The Toronto-based company's issue on Tuesday of 6 per cent, 10-year convertible debentures was enthusiastically received. An over-allotment provision of $300m originally granted to the underwriters, Griffiths McBurney and Midland Walwyn Capital, was increased by a further $75m to meet demand.

Sherritt said it would use the proceeds of the offering to finance capital projects, including new investment possibilities in Cuba in the sugar industry, petroleum refining, real estate and communications. It is moving to expand its business in Cuba, despite being targetted by US legislation aimed at curbing foreign investment on the island.

Pascal Fletcher, Havana

■ Canada's Four Seasons Hotels has linked with the Indian developer Leela Group to open new luxury hotels in Bombay and Bangalore, and refurbish a resort in Goa. Projects may follow in Madras and New Delhi. Leela will build the hotels and Four Seasons will manage them. The Bombay and Bangalore units will cost C$235m (US$176m).

Robert Gibbens, Montreal

Electrolux plans Brazilian shake-up

By Hugh Carnegy in Stockholm

Electrolux, the household appliances group, is planning to consolidate its Brazilian operations by merging its subsidiaries with Refripar, the country's second largest white goods manufacturer, which is controlled by the Swedish group.

Electrolux said it was considering transferring to Refripar control of its local operations, together with Oberdorfer, also in the Brazil market and recently acquired by Electrolux.

In return, Electrolux would receive a bigger share of Refripar's capital than the 35 per cent it acquired earlier this year – along with 98 per cent of the voting rights in Refripar.

Electrolux spent $50m buying into Refripar earlier this year in an effort to step up its operations in Brazil where Whirlpool of the US, its biggest worldwide rival, is market leader, through its local affiliate Brasmotor.

Mr Lennart Ribohn, senior executive vice-president at Electrolux, said the proposed merger would rationalise operations, increase efficiencies and strengthen the three companies' position in the market. Refripar, with annual turnover last year of $600m, has a market share in refrigerators of between 35-50 per cent and about 20 per cent in washing machines in Brazil.

Alliance puts pressure on Netscape

By Nicholas Denton in London

Microsoft, the leading software company, is set to make further inroads into Netscape Communication's dominance of the market for Internet software, after unveiling yesterday an alliance with British Telecommunications and MCI.

BT and MCI, which are proposing to merge, have agreed to promote Microsoft software when setting up corporate intranets – the fast-spreading internal computer networks based on Internet software and standards.

Alongside the telecommunications connections essential for corporate intranets, BT and MCI will provide Microsoft products such as Explorer, a browser used for viewing the World Wide Web, the Internet's graphic interface.

Although the telecommunications pair will not force clients to take Microsoft products as an indivisible package, the deal will give Microsoft an advantage in selling its software to the large international companies which use BT and MCI.

The arrangement is particularly useful to Microsoft in the UK, where intranets are not as well established as they are in the US.

The deal, which follows a series of other Microsoft marketing alliances, reinforces the Seattle-based software company's effort to turn its dominance in operating systems for personal computers into leadership in the emerging area of Internet software.

Microsoft is seeking to spread its Explorer browser among individuals by distributing it without charge, and through deals with companies such as BT, to challenge Netscape's dominance of the corporate market.

The two companies are fighting for an intranet market which is expected to be worth only about $2bn this year, but is forecast to expand tenfold by 1999, when it will account for more than half of the total Internet market.

The deal accentuates the division of telecommunications companies into two camps around Netscape, which floated last year, and Microsoft.

MCI formed a broad alliance with Microsoft in January this year and extended that partnership in May to provide combined software and communications capacity to US companies setting up intranets.

In August, BT began to encourage individual subscribers to its Internet access service to use Microsoft's Explorer software, rather than Netscape's Navigator browser.

In the US, AT&T, BT's main international rival and MCI's main domestic rival, has also promoted Microsoft in its rapidly expanding Internet access service.

The third large international alliance, Global One, appears increasingly inclined towards Netscape. Netscape has entered separate agreements with Sprint and France Télécom, two of the three partners in Global One.

BZW re-jigs London forex

By Simon Kuper

The London foreign exchange operations of BZW, the investment bank of Barclays, and Nations-Bank, are being restructured in the latest sign of turmoil in the industry.

Seven currencies traders have been released and two leading foreign exchange executives have resigned from BZW, the investment bank. In addition, Nations, the US bank, said yesterday it was reducing staff numbers in its London currencies operations by 20 and was continuing to consolidate functions in Chicago. Its currencies activities in London were "aligned with current NationsBank client activity".

Both shake-ups are symptomatic of the recent poor performance of the currencies industry and the resulting changes.

Mr Alex von Ungern Sternberg, head of treasury products, and his appointee Mr Peter Moeritz, head of foreign exchange trading for the UK and Europe, resigned from BZW. Both were recent arrivals from Deutsche Bank.

Mr Robert Diamond, head of global markets, told staff in an internal memo that after restructuring "the role for Alex going forward was substantially narrower than the position for which he was initially recruited in July last year". It is thought that Mr Diamond had taken over some of Mr Von Ungern Sternberg's responsibilities.

BZW said yesterday that it had reviewed its global markets business but was "not pulling out of any areas of business". The bank is thought to be the 10th largest in the world in terms of foreign exchange turnover.

Mr Paul Thrush, a 20-year veteran of the currencies business, is moving from Nations to become BZW's head of global foreign exchange.

With low volatility in the main exchange rates, and screen-based systems taking over much market making work, most major banks are thought to have had a poor year in their currencies businesses.

Traders are particularly under threat, as most banks are trying to shift into higher margin sales and risk analysis.

In recent weeks HSBC Markets has closed down its foreign exchange market making operations in New York and Bank of America has released 30 employees, saying that "a good proportion were from foreign exchange, and they were mainly traders". Bank of America said yesterday: "We were adjusting to reflect structural changes in the markets, such as tight margins and limited volatility."

Simon Holberton analyses the regulatory issues involved in the Dominion bid

Trying to switch off investors' worries

Mr Thomas Capps, chairman and chief executive of Dominion Resources, the US utility which yesterday unveiled an agreed £1.3bn bid for East Midlands Electricity, was in little doubt about the regulatory issues involved in the transaction.

"We see no reason for it", he said, in a response to a question about a possible referral to the Monopolies and Mergers Commission.

To this was added the view of Mr Norman Askew, East Midlands' chief executive, who agreed the deal in a 1¼-hour negotiation on Tuesday evening: "There is no issue of competition here," he said.

These emollient words were, however, lost on investors.

East Midlands' share price rose only 11¼p to close at 622½p in response to the announcement of the agreed 670p a share offer. The share price of Northern Electric – the other bid target in the sector, which faces an offer from CalEnergy of the US – actually fell, 18p to 593½p.

The fear gripping the market is that Mr Ian Lang, the trade and industry secretary, will refer one or both bids to the MMC. In the words of one seasoned sector analyst: "The market has the heebie-jeebies."

"There is a big risk," said another. "If they get referred to the MMC, share prices will fall a long way."

There is nothing, however, to distinguish the Northern or the East Midlands bids from the three previous bids mounted for regional electricity companies by US predators and approved by Mr Lang and his predecessors.

In all previous cases, Prof Stephen Littlechild, director general of Offer, the industry regulator, was able to satisfy himself that the foreign owners of the recs were able to live up to their licence obligations.

This entailed "ring fencing" the regulated parts of the recs' businesses. One Offer official explained yesterday that this was "designed to make the ownership structure transparent for us and to make sure that the bidder doesn't milk the company dry".

Offer will be submitting its advice about CalEnergy's bid to the Office of Fair Trading tomorrow. The OFT will then pass on Offer's view, along with its own, to Mr Lang.

When Mr Littlechild met CalEnergy he took an interest in how the company, which is highly leveraged, planned to fit Northern into its structure. CalEnergy was confident that it allayed any latent concerns by the regulator about its financial strength.

There is nothing in the past recommendations of Offer or the OFT to suggest they will raise objections to CalEnergy's bid. In the past they have only argued for an MMC reference when a bid posed issues of competition and industry structure.

This was the case with Scottish Power's bid for Manweb and with the bids by two generators: PowerGen for Midlands Electricity and National Power for Southern Electric. In the case of Scottish Power, Mr Lang ignored official advice and approved the bid; with the generators he again ignored advice and denied the bids on competition grounds.

Dominion Resources' case for approval is even stronger than CalEnergy's. There do not appear to be any questions about its ability to finance its bid for East Midlands.

However, like CalEnergy's bid for Northern, the East Midlands bid is financially-driven: both targets throw off far more cash than the interest needed to service the debt to acquire them.

Another issue concerning investors is that of "comparators" - the yardsticks by which regulators compare companies within their sector. In the spring, Mr Littlechild told City analysts that he need to have a number of quoted companies to properly make comparisons - though he did not spell out the precise figure.

He needs a representative number quoted to enable him, through their share price data, to make calculations of cost of capital. If the two bids succeed, there will remain only three quoted recs, which may be bumping up against his limit.

Against this, however, Mr Littlechild this week told the Commons public accounts committee that there was a good deal of agreement between regulators about the cost of capital for utilities.

Mr Ian Byatt, the water industry regulator, has argued against horizontal mergers in the water sector as this would deprive him of comparators when trying to assess efficiency. However, two electricity bids involve only a change of ownership rather than an industry rationalisation.

The prospect of nearly half the recs being owned by American companies has led to speculation that the Government might refer the bids. But this is unlikely to weigh heavily on Mr Lang, and he is under no pressure from the Labour party on this score. As Mr John Battle, Labour's shadow energy and industry spokesman observed: "Labour has no opposition in principle to overseas takeovers".

Regional electricity companies

Successful bids

Rec	Bidder	Price (£bn)
Eastern	Hanson (?)	[illegible]
Norweb	North West Water	1.8
Midlands	Avon (GPU/Cinergy) (US) (?)	[illegible]
Seeboard	Central & South West (US)	1.6
Manweb	Scottish Power	[illegible]
Sweb	Southern Co (US)	1.1
Swalec	Hyder (?)	[illegible]

Current bids

Rec	Bidder	Price (£bn)
East Midlands	Dominion Resources (US)	1.3
Northern	CalEnergy (US) (?)	[illegible]

Remaining independents

Rec	Mkt Cap £bn	Notes
Southern	[illegible]	* Bid by Powergen blocked by government
Yorkshire	1.2	** Bid by Trafalgar House defeated 1994/95
London	[illegible]	*** Bid by National Power blocked by government

† Current bid hostile. Source: FT research

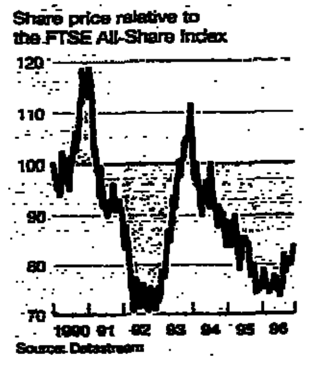
LEX COMMENT

Land Securities

By its usual glum standards, Land Securities sounds remarkably chipper. The UK's largest property company talks of increased rental demand, and expects more to come. And since rental yields on property continue to exceed gilt yields because property values have fallen even more than rents, the knock-on effects could be exciting. The problem is that Land Securities investors are unlikely to get much benefit. The shares already trade at their estimated year-end net asset value, in a sector where 15 per cent discounts have been the traditional norm. Dividend growth will be sluggish because cover is tight, at 1.2 times this year. And income growth is constrained by the number of properties where rents exceed the market rate. Moreover, as leases get shorter, office blocks have to be substantially refurbished more frequently. There is little evidence of a reward for this increased business cost. In this harsh environment, nimble niche companies will fare better than lumbering giants. Of course, in the unlikely event that the budget introduces tax breaks for property investment trusts, this could fuel institutional demand for property. However, it would also encourage property sales from institutions which cannot cope with the increasingly active nature of property investment. Besides, tax-efficient property trusts would have an immediate advantage over the traditional property company, making them a bittersweet proposition.

Land Securities

Share price relative to the FTSE All-Share Index



Source: Datastream

Hambros to retain capital for expansion

By John Gapper, Banking Editor

Hambros, the UK merchant banking group, intends to defy a call to hand capital back to its shareholders because it want to be free to expand asset management and other operations, senior directors said yesterday.

Sir Chips Keswick, Hambros' chief executive, said the bank wanted to retain its strong capital base so that it could buy a small fund management firm, or expand in other ways, if a suitable opportunity emerged in the future.

Sir Chips, who is to become the first non-family chairman next year when Lord Hambro steps down, spoke as the bank disclosed a recovery in pre-tax profits in the six months to September 30 to £35m, compared with a loss of £7.7m.

"We want to use our capital in an entrepreneurial way. The less capital you have, the less entrepreneurial you can be," Sir Chips said. He emphasised that any acquisition in asset management was likely to be on a modest scale.

Hambros's strategy has been heavily criticised by Regent Pacific Fund Management, a Hong Kong-based investment fund which has called for the business to be broken up, and for capital to be returned to shareholders.

The interim dividend is maintained at 2.5p, as earnings per share increased to 7.2p (10.9p loss). Profits were boosted by a fall in bad and doubtful debt provisions to £5.9m from £23.5m in the same period last year.

Expenses were held at £203m (£202m), with staff numbers in the banking group having fallen from 2,000 to 1,600 over the past 18 months.

Up to a further 100 staff are expected to leave, giving annualised cost savings of £5m.

The strongest performance came from the bank's investment group, which realised profits from investments including the Thorn Security buy-out from Thorn EMI. Investment group profits before tax rose to £20.4m (£13.2m).

Hambros has implemented a restructuring in its banking arm since dipping into loss, and has reduced unstructured lending and some types of derivatives trading. These helped banking group profits to rise to £4.1m (£7.6m loss).

Mr Michael Sorkin, deputy chairman, said that it wanted to expand in fund management, and might follow its strategy in Australia and Canada of joint ventures. However, he said it would ideally seek a larger strategic move.

Lord Hambro said that the group was "regaining momentum" although profits in the investment group in the second half were unlikely to match the first. Its shares closed 7½p down at 245p.

NEWS DIGEST

La Camorra lifts Monarch

Record gold production from its La Camorra mine helped Monarch Resources, the London and Toronto quoted company that is the biggest private gold producer in Venezuela, report record net income for the third quarter and nine months to September 30 of $702,000 and $1.06m respectively. This compared with net losses of $1.852m and $4.791m, respectively.

La Camorra mine produced 15,804 and 41,925 troy ounces of gold for the three and nine months periods respectively at cash production costs of $225 and $236 an ounce respectively. Monarch said La Camorra's output should exceed 50,000 ounces this year.

Gold output from the Revemin mill fell from 14,615 to 9,274 ounces in the nine months.

El Callao Mining cancelled its contract to supply Revemin on October 3 but Monarch insists there was no valid basis for the termination. Revemin has initiated a review of other potential long-term feed supply sources.
Kenneth Gooding

Morgan Crucible in US buy

Morgan Crucible, the engineering and speciality materials group, yesterday said it had acquired EM Corporation, part of Great Lakes Chemical Corporation, for $26.8m cash. EM, a manufacturer and supplier of lubricants used mainly in the aerospace industry, made pre-tax profits of $4m last year on sales of $29.7m. Net assets acquired were $10.4m. Mr Graham Swetman, finance director, said this was the third sizeable acquisition this year. "Gearing will rise only slightly," he said.

The US market already provides half Morgan Crucible's profits and half its overseas sales. *Alexandra Capelle*

Wates City £11.6m disposal

Wates City of London Properties yesterday sold its interest in 84/94 Queen Victoria St, EC4, to Crédit Lyonnais for £11.6m ($19m) cash.

Eurostar advance helps Eurotunnel lift sales 70%

By Motoko Rich

Eurotunnel, the Channel tunnel operator, raised third quarter revenues by 70 per cent, generating £138.4m ($228m) of sales in the three months to September 30.

On the back of high freight traffic and strong growth in passenger numbers on Eurostar, the walk-on service run by London & Continental Railways, the group raised sales in the nine months to September 30 from £185.8m to £362.1m.

The group said confidence in the services were increasing as the trains had become more reliable and travellers were making repeat journeys.

Analysts said the figures were in line with expectations and would put the group on track to deliver annual turnover of £470m for the year, up from £299m in 1995. Last year the group made losses of £925m, one of the largest deficits in UK corporate history. This year analysts forecast the group will make losses of about £600m.

The company was also on course to meet the revenue targets set out in its complicated plan to restructure its £9.1bn bank debt, announced last month.

The package of measures, which took more than a year to negotiate and saved the group from bankruptcy, include convertible bonds and equity warrants. An initial debt-for-equity swap will dilute shareholders' interest in the company to 54.5 per cent, although other measures could reduce their stake even further.

Lasmo plans 12% rise

By Jane Martinson

Lasmo became the London stock market's best performer yesterday after the UK's second largest independent oil explorer made a five-year production forecast for the first time.

The shares rose 9½p, or 5 per cent, to close at 211p after Mr Joe Darby, chief executive, said the company was confident of achieving a 12 per cent production increase next year to 200,000 barrels of oil a day.

Existing fields and discoveries under appraisal would enable this level of production to be maintained until 2001, he added.

The forecast took no account of further discoveries or new business.

Production in the first half of this year rose slightly to 172,000 barrels a day. Output would have been higher but the group encountered problems in its Liverpool Bay field.

Land Securities finds rise in demand

By Simon London, Property Correspondent

Land Securities, the largest UK property company, with assets in excess of £5bn, has identified a clear improvement in demand for commercial property from both occupiers and investors.

Sir Peter Hunt, chairman, said: "Whilst patchy, there are signs of rental growth in selected sectors of the market, with the anticipation of more to come."

Following these positive comments from the bellwether of the property sector, the shares rose 7½p to 726p, although most analysts left forecasts for year-end net assets unchanged at about 740p.

Property shares have outperformed this year, as investors have anticipated growth in rents and property values after the property market crash of the early 1990s. Sir Peter identified rental growth in out-of-town shopping centres, well located high street stores in big towns, and modern offices.

"It is nothing like the growth of the 1980s," he cautioned.

His comments came as Land Securities reported a 9 per cent rise in pre-tax profits to £128.9m in the six months to September, helped by a £13.4m gain on sales of investment properties.

Revenue profit, excluding one-off items, declined from £118.2m to £115.5m. Net interest charges increased from £68.2m to £73.1m, reflecting spending on its £400m development programme. Land Securities is unusual among large property companies in charging all its debt service costs against profits rather than capitalising interest against developments.

The company spent £78.9m on developments in the period and expects development expenditure to peak at more than £80m in the second half.

Its largest single project is the White Rose Shopping Centre near Leeds, which will be one of the largest out-of-town shopping complexes in the country.

Land Securities spent £80m acquiring investment properties, including the 360,000 sq ft Team Valley retail park, south of Newcastle upon Tyne.

Disposals raised £160m. The largest deal was the sale for £120m of a large office building at 33 Grosvenor Place, central London.

Disposal proceeds have been used to repay debentures and bank facilities. Early termination of interest rate swap arrangements will lead to a £7m charge in the second half. Earnings per share advanced from 16.49p to 18.44p. Adjusted for capital items, earnings declined to 16.17p. The interim dividend is 7.35p, an increase of 3.5 per cent.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
ABI Leisure	Yr to Aug 31	92.4	(85.3)	5.04	(4.22)	10.2	(9.7)	3.47	Dec 31	2.93	4.89	4.35
Borthwicks	6 mths to Sept 28	16.3	(17.3)	0.652	(1.26)	0.78	(1.75)	0.5	Jan 24	0.5	-	1.3
Cirqual Φ	Yr to Aug 31 ☧	18.6	(17.1)	2.96	(2.53)	12.02	(10.25)	0.9	Jan 21	-	-	-
Commercial Union	9 mths to Sept 30★	6,585□	(6,356□)	457	(441)	42.5†	(46.2)	-	-	-	-	28.25
Dickie (James)	Yr to Aug 31	34.4	(30.8)	1.49	(2.04)	15†	(20)	3.85	Dec 19	3.5	6.05	5.5
Fenner	Yr to Aug 31	258.6	(225.3)	12.5♠	(13.1)	5.59†	(10.21)	3.3✝	Jan 13	3	5	4.5
Hambros	6 mths to Sept 30	-	(-)	35	(7.7L♠)	7.2	(10.9L)	2.5	Dec 23	2.5	-	7.5
Land Securities	6 mths to Sept 30	201.1■	(198.4■)	128.9♥	(118.1)	18.44	(16.49)	7.35	Jan 6	7.1	-	26
McInerney ♣	6 mths to June 30	14.7	(15.1)	0.265L	(0.346L)	1L	(1.1L)	-	-	-	-	-
Volex	6 mths to Sept 30	85.5	(89.5)	6.32	(5.16♥)	15.2	(12.4)	7.35	Feb 4	7	-	20
Willis Corroon	9 mths to Sept 30	568.5	(544.3)	88.2	(75.3)	13.2	(11.2)	1.65♦	Jan 2	1.65	6.6	6.6
Young & Co's	6 mths to Sept 28	38.1	(37.5)	2.48	(2.57)	12.65	(13.11)	7.35	Dec 13	7.35	-	15.2

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Finsbury Growth	Yr to Sept 30	165.1	(142.8)	1.53	(1.54)	3.3	(3.3)	2.2	Dec 18	2.1	3.3	3.1
Fleming Chinese	Yr to Sept 30	69.2	(65.2)	0.389	(0.515)	0.84	(0.85)	0.5	Dec 23	0.5	0.5	0.5
Gen Consolidated	10 mths to Oct 31	-	(-)	2.79	(2.42)	8.36	(7.08)	3#	Dec 30	3	-	8.56
Investors Capital	Yr to Sept 30	170.59	(152.83)	14.8	(14.2)	6	(5.7)	1.35	Dec 19	1.325	5.4	5.3
Throgmorton Dual		-	(-)	-	(-)	-	(-)	1.75‡	Jan 30	1.75	-	7.1

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ☧Pro forma. ♠After exceptional charge. ♥After exceptional credit. ★Comparatives restated. □Premium income. †On increased capital. ΦAim stock. ✝Foreign income dividend. ■Net rental income. ♣Irish currency. ♦Fourth interim. #Second interim: makes 6.9p to date. ‡First interim.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 14.11.96: Pool purchase price £/MWh	Final Prices for Trading on 17.10.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	11.69	11.74	12.42
0100	13.31	11.74	12.42
0130	13.31	11.74	12.42
0200	13.31	11.74	12.42
0230	13.31	13.01	13.69
0300	13.31	13.01	13.69
0330	11.69	11.74	12.42
0400	11.68	11.74	12.42
0430	11.68	11.74	12.42
0500	11.67	11.74	12.42
0530	13.84	15.02	15.69
0600	11.68	15.02	15.69
0630	11.68	15.02	15.69
0700	16.59	15.41	16.14
0730	16.60	20.81	22.36
0800	17.10	32.56	35.12
0830	17.15	54.42	57.48
0900	17.30	30.64	34.07
0930	17.42	29.49	32.83
1000	17.46	29.46	32.79
1030	17.46	27.16	30.26
1100	17.50	26.72	29.76
1130	17.57	26.91	30.00
1200	17.60	27.53	30.79
1230	17.52	26.22	29.13
1300	17.41	24.54	27.02
1330	17.31	19.66	21.49
1400	17.30	18.54	20.07
1430	17.34	18.01	19.37
1500	17.38	17.84	19.15
1530	17.82	17.49	18.84
1600	21.37	18.93	20.60
1630	50.86	21.26	23.86
1700	107.76	26.81	29.84
1730	139.10	28.27	31.77
1800	116.88	38.51	42.48
1830	68.34	64.41	77.20
1900	37.30	84.39	98.82
1930	24.81	79.91	93.16
2000	21.47	50.25	57.97
2030	20.70	29.48	32.83
2100	20.69	21.83	23.42
2130	20.61	19.62	20.57
2200	20.61	18.88	19.80
2230	19.82	18.77	19.46
2300	19.62	18.56	19.29
2330	13.84	18.66	19.23
2400	11.66	15.19	15.86

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.567 MWh becomes 1.8567p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6795 between 8:30am and 5:15pm Monday to Friday.
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Italy, Spain defy expectations of correction

GOVERNMENT BONDS

By Richard Lapper and Samer Iskandar in London and Lisa Bransten in New York

Italian and Spanish government bond markets yesterday made further gains, defying expectations that they were due for a correction after their strong recent performance.

By contrast, UK government bonds, which are considered to be undervalued by many analysts, lost ground, with the 10-year benchmark gilt price falling by nearly three-quarters of a percentage point.

By the close, Italian bonds were yielding 16 basis points less than gilts.

Falls in the US Treasury market fed through into weakness in the European markets in the late afternoon, with most futures contracts closing below the day's highs.

On Liffe the December BTP future settled at 126.62, up 0.34, while in the cash market Italian 10-year bonds gained nearly half a point.

The 10-year yield spread over Germany fell by 6 basis points to 183 points. Short-dated paper also surged ahead, with the December 1997 eurolira contract up 0.10 at 93.87.

Traders said reports that Italian yields are now lower than the government's own expectations had helped boost prices ahead of today's parliamentary vote on the Italy's 1997 budget.

Buying, especially by Italian institutions, more than offset trades placed by a number of proprietary dealers. These were designed to take advantage of expected UK outperformance and a reversal of the Italian/UK 10-year yield spread.

"The Italian market seems to be defying gravity," said Mr Julian Jessop, chief European economist at Nikko Europe. "This is the market that forgot fundamentals."

Mr David Brown, chief European economist at Bear Stearns International, however, argues that the convergence wave is still building up steam. "Indeed, given the prospect of the lira going into the Exchange Rate Mechanism either this weekend or the weekend after, we could easily be on top of the 150 basis point spread [of the 10-year Italian yield over Germany] before the month of November is out."

Spanish and Swedish bonds also made gains, with the 10-year yield spreads over Germany narrowing by 6 and 4 basis points respectively to 153 and 140 points.

UK gilt markets fell on news of stronger than expected labour market data. Mr Jessop said "the figures had gone down like a lead balloon. The momentum was against the UK." Mr Andrew Roberts, an analyst at UBS in London, said "gilts have become friendless and are likely to remain so".

He said gilts' cheapening compared with Europe's high-yielding markets – such as Italy and Spain – was due to "a re-rating of economic fundamentals".

Analysts predicted market sentiment would remain gloomy in the short term, at least until next week's 1997 budget announcement.

Economists expect today's release of retail price data to confirm that UK consumer prices were growing at a faster rate than Italian prices for the first time in more than five years.

On Liffe, the December long gilt settled at 108$\frac{15}{16}$, down $\frac{5}{8}$. Short sterling was also badly hit with the September 1997 contract down 0.16 to 92.67.

The German and French markets closed more or less unchanged. The December 10-year bund contract lost 0.04 to settle at 100.67, while the 10-year notional gained 0.02 to settle at 127.42.

Profit-taking on the heels of this week's gains sent US Treasury prices lower in early trading.

Near midday, the benchmark 30-year Treasury was $\frac{1}{8}$ weaker at 100$\frac{5}{8}$ to yield 6.472 per cent, while at the short end the two-year note lost $\frac{1}{32}$ to 100¼, yielding 5.720 per cent. The December 30-year bond future fell $\frac{3}{32}$ to 114$\frac{13}{16}$.

Economic data released yesterday was neutral for the market. The producer price index rose by a stronger than expected 0.4 per cent in October, but most of the gain was due to a sharp increase in energy prices.

Core PPI, which excludes the volatile food and energy components, fell by 0.3 per cent, supporting the belief of most economists that inflation remains in check.

Few on Wall Street expected the Federal Reserve's Open Market Committee policy-making body to change monetary policy, and later in the day they were proved correct.

Yesterday's inflation figures had supported their assumptions. "With inflationary pressures remaining benign, the Federal Reserve will clearly remain on hold for the rest of this year and most likely through the first half of 1997," said Ms Cheryl Katz, a senior economist at Merrill Lynch.

Japanese take a bullish view on JGB outlook

Many US and UK fund managers are anticipating a sharp fall in Japanese government bond prices and a concomitant rise in yields in the next few months, according to Nikko Europe, the European arm of the Japanese securities house.

But Japanese institutional investors are more optimistic – at least judging by their presentations at a seminar held earlier this week.

In the Nikko survey, only four of the 50 Anglo-Saxon investors said they expected 10-year bond yields over the next six months to stay below 2.65 per cent (yields closed yesterday at 2.65 per cent), while more than a quarter of respondents expected yields to rise to more than 3.45 per cent.

Asked to rank the potential performance over six months of the G5 markets (Germany, US, UK, France and Japan) a large majority said they expected Japan to perform worst.

Some 88 per cent were underweight relative to their benchmarks in yen currency assets, with 52 per cent expecting the yen/dollar rate to be above Y114 in six months.

Japanese investors and analysts at the seminar expected more modest rises in yields and on the whole took a less bearish stance. Mr Shinichi Aizawa, of Dai-Ichi Mutual Life Insurance, said yields could range between 2.3 per cent and 3 per cent, probably moving above 3 per cent next year.

However, he said strong demand from Japanese institutions – including the *jusen* set up to manage distressed housing loans – could keep rates relatively low.

Some Y1,700bn of new capital from two *jusen* will flow into the market in coming months.

Analysts also said a rise in consumption tax and a fall in public sector investment would keep the economy very weak.

Mr Kazutoshi Nakata, of Nikko in Tokyo, thought the yield on the benchmark No 182 could fall as low as 2.30 per cent, while Ms Mariko Tsugane, of Yasuda Trust and Banking Co, said her institution aimed to "sell into strength and consider buying [10-year bonds] at 2.8 per cent to 3 per cent."

Mr Nakata said that, with the bleak economic outlook and the dangerous position of financial institutions and property businesses, the Bank of Japan was likely to be forced to maintain an easy monetary policy and to secure sufficient liquidity in the market through bond purchase operations.

Japanese bond yields have fallen since the weaker than expected August Tankan survey of the short-term economic outlook, which in effect quashed speculation about a rise in short-term interest rates from their current 0.5 per cent, and Japan's city and regional banks were heavy buyers of bonds.

Mr Nakata said other factors had contributed to the bullish outlook. Some Y10,000bn of JGBs are due to be redeemed this year. The Bank of Japan and the Trust Fund Bureau, a Ministry of Finance body which invests public sector funds, is expected to buy a further Y6,000bn of bonds. In addition, Japan's big banks are now underweight in their JGB holdings.

Richard Lapper

Demand for high yields drives sterling issuance

INTERNATIONAL BONDS

By Samer Iskandar

The flow of sterling-denominated bonds continued unabated yesterday, driven by demand from investors keen to lock in some of the highest yields in Europe.

Syndicate officials said continental European investors are mainly attracted by the appreciating currency, and tend to prefer shorter maturities, while UK institutional investors concentrated on the longer end of the yield curve to lock in high levels of absolute yield.

However, the steady flow of new issues in recent weeks has satisfied part of the existing demand and market participants expect a slowdown in issuance.

"There are not that many deals around, especially with the Christmas lull approaching", one official said.

In this environment, Merrill Lynch launched a self-led deal consisting of £250m of 18-month paper.

"This part of the yield curve offers value," a Merrill official said. "Because the curve is steep, the [yield] pick-up over Libor is substantial." Merrill also said the bonds appealed to money market funds, corporate treasurers and banks.

The European Investment Bank also tapped the sterling sector, adding a £100m tranche to an existing £600m issue. One banker in London said this deal had propelled HSBC Markets, its lead manager, to second place in the eurosterling league tables, behind BZW.

Elsewhere, the dollar sector saw three small deals, including a debut issue by the Bank of Taiwan. Lead manager Goldman Sachs said placement had been helped by extensive pre-marketing among banks and fund managers in Europe.

Paribas was lead manager of the two other issues in the sector, both short-term deals aimed at retail investors from Germany, Switzerland and the Benelux region.

"The GMAC bonds [rated A3 and A– by Moody's and S&P] offered a good chance to diversify," said an official at Paribas, adding that this sector was dominated by issuers from the banking sector with high ratings and tight yield spreads.

The World Bank kept a total of five lead managers busy by issuing bonds in two different sectors. One was a re-opening of an existing 10-year zero-coupon deal in Italian lire. The second – DM500m of five-year bonds – was launched by a small group of joint lead managers: Deutsche Morgan Grenfell, UBS and WestLB.

"The bonds were tightly priced," Deutsche admitted. "But the World Bank is a popular retail name and the issuing group has a wide network of retail outlets throughout Germany, Switzerland and the Benelux countries."

Although roughly half the amount was placed yesterday, Deutsche said it could take "two or three weeks before all the bonds filter through to final investors."

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
Bank of Taiwan	200	(a)	99.793R	Dec 2001	0.20R	-	Goldman Sachs Intl
GMAC Intl Finance(b)	200	6.375	100.10R	Jan 2001	0.275R	+32(b)	Paribas Capital Markets
LB Schleswig-Holstein(c)	200	5.50	99.98R	Jun 2000	0.225R	+10(c)	Paribas Capital Markets
D-MARKS							
World Bank	500	4.625	99.415R	Dec 2001	0.25R	+16(5%May01)	Deutsche/UBS/WestLB
Ost Kommunalkredit	100	4.625	102.025	Dec 2000	2.15	-	DGZ
STERLING							
Merrill Lynch & Co(d)	250	7.125	99.856R	May 1998	0.073R	+32(7¼%-98)	Merrill Lynch Intl
European Inv Bank(e)	100	7.625	100.552	Dec 2006	2.00	-	HSBC Markets
FRENCH FRANCS							
Eurofima(f)	1bn	(c)	100.00R	Dec 2006	0.325R	-	Société Générale
Lehman Brothers Hldgs(g)	700	5.575	102.05R	Jul 1999	0.30R	+48(i)	Lehman/SocGen
ITALIAN LIRE							
Oest Postsparkasse	300bn	7.50	101.29	Dec 2006	2.00	-	BNL/Cariplo
World Bank(h)	200bn	zero	49.525	Dec 2006	1.875	-	BCI/JP Morgan
Crediop Overseas Bank(i)‡	200bn	(m)	100.20	Dec 2001	0.30	-	San Paolo, Turin

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. R: fixed re-offer price; fees shown at re-offer level. a) 6-mth Libor +1/16. b) Fungible with £600m. Plus 4 days accrued. [illegible]

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	97.6370	+0.700	7.08	7.27	7.64
Austria		5.875	07/06	99.3600	+0.010	5.98	6.04	5.98
Belgium		7.000	05/06	106.8800	+0.060	6.03	6.06	6.14
Canada *		7.000	12/06	106.0500	−0.230	6.19	6.21	6.98
Denmark		8.000	03/06	108.1200	+0.140	6.80	6.87	6.82
France	BTAN	5.500	10/01	102.7861	-	4.87	4.86	5.12
	OAT	6.500	10/06	104.6200	−0.040	5.88	5.90	6.05
Germany Bund		6.250	04/06	102.6900	−0.030	5.87	5.93	6.02
Ireland		8.000	08/06	107.7000	−0.220	6.89	6.93	6.88
Italy		9.500	02/06	111.8500	+0.480	7.69†	7.86	8.20
Japan	No 140	6.600	06/01	122.1708	+0.450	1.54	1.37	1.72
	No 182	3.000	09/05	102.5692	+0.480	2.65	2.44	2.79
Netherlands		8.500	06/06	119.1900	+0.920	5.84	5.85	5.94
Portugal		9.500	02/06	114.6000	+0.210	7.28	7.43	7.69
Spain		8.800	04/06	109.1800	+0.330	7.39	7.82	7.82
Sweden		6.000	02/05	92.2157	+0.230	7.27	7.29	7.20
UK Gilts		8.000	12/00	102–18	−11/32	7.26	7.13	6.81
		7.500	12/06	98–20	−21/32	7.70	7.62	7.49
		9.000	10/08	109–13	−18/32	7.78	7.74	7.63
US Treasury *		6.500	10/06	102–04	+1/32	6.21	6.27	6.58
		6.500	11/26	100–18	+7/32	6.46	6.58	6.85
ECU (French Govt)		7.000	04/06	104.9000	-	6.29	6.30	6.35

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal *Source: MMS International*

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	*Two year*	5.72
Prime rate	8¼	Two month	-	Three year	5.84
Broker loan rate	7	Three month	5.17	Five year	5.98
Fed funds	5¼	*Six month*	5.28	*10-year*	6.19
Fed.funds at intervention	-	One year	5.44	30-year	6.44

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	127.52	127.42	+0.02	127.56	127.36	95,413	182,155
Mar	127.48	127.36	-	127.48	127.32	5,350	42,944
Jun	126.24	126.12	-	126.24	126.14	2	7,028

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
124	-	-	-	0.02	0.14	-
125	2.44	-	2.08	0.07	0.29	0.72
126	1.49	-	1.44	0.25	0.61	1.08
127	0.69	0.96	0.94	0.78	-	-
128	0.20	0.47	0.56	-	-	-

Est. vol. total, Calls 11,463 Puts 6,397. Previous day's open int., Calls 167,720 Puts 164,307.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.81	100.67	-0.04	100.82	100.60	131106	258540
Mar	99.80	99.68	-0.04	99.80	99.65	3471	23206

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
10050	0.38	0.30	0.52	0.68	0.21	1.12	1.34	1.50
10100	0.14	0.17	0.36	0.51	0.47	1.49	1.68	1.83
10150	0.04	0.09	0.24	0.37	0.87	1.91	2.06	2.19

Est. vol. total, Calls 28595 Puts 20906. Previous day's open int., Calls 208918 Puts 215940

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	126.47	126.62	+0.34	126.70	126.43	58119	96642
Mar	125.80	125.79	+0.31	125.85	125.68	945	5187

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
12650	0.76	1.77	0.64	2.48
12700	0.52	1.55	0.90	2.76
12750	0.34	1.36	1.22	3.07

Est. vol. total, Calls 7942 Puts 2679. Previous day's open int., Calls 206700 Puts 189589

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	109.74	109.75	+0.29	109.93	109.45	79,444	63,709
Mar	109.10	109.18	+0.39	109.25	109.06	994	1,044

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	109-21	108-30	-0-20	109-22	108-24	67258	142423
Mar	108-26	108-07	-0-19	108-26	108-07	1110	2652

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
108	1-10	1-12	1-34	1-53	0-14	0-62	1-20	1-39
109	0-33	0-46	1-04	1-21	0-37	1-32	1-54	2-07
110	0-12	0-26	0-46	0-60	1-16	2-12	2-32	2-48

Est. vol. total, Calls 4560 Puts 1407. Previous day's open int., Calls 56369 Puts 33001

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	94.62	94.60	+0.02	94.62	94.56	1,228	7,088
Mar	-	94.16	+0.02	-	-	-	26

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	114–27	114–26	–0–03	115–02	114–20	277,183	398,844
Mar	114–12	114–14	–0–02	114–20	114–07	11,432	38,675
Jun	113–31	113–31	–0–01	114–02	113–26	2,555	10,425

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	124.45	-	-	124.83	124.45	4985	n/a
Mar	123.48	-	-	123.86	123.48	1639	n/a

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Wed Nov 13	Day's change %	Tue Nov 12	Accrued interest	xd adj. ytd		Low coupon yield Nov 13	Nov 12	Yr. ago	Medium coupon yield Nov 13	Nov 12	Yr. ago	High coupon yield Nov 13	Nov 12	Yr. ago
1 Up to 5 years (21)	120.35	−0.21	120.83	1.95	8.90	5 yrs	7.32	7.23	7.30	7.39	7.30	7.31	7.42	7.34	7.39
2 5-15 years (16)	148.90	−0.40	149.50	3.44	9.29	15 yrs	7.87	7.81	7.94	7.86	7.80	7.99	7.88	7.82	8.05
3 Over 15 years (8)	166.59	−0.51	167.45	4.26	9.83	20 yrs	7.94	7.90	8.00	7.92	7.87	8.03	7.95	7.89	8.06
4 Irredeemables (6)	191.98	−0.52	192.97	5.20	8.83	Irred.†	8.00	7.96	8.06						
5 All stocks (53)	143.22	−0.35	143.62	3.01	9.39										

Index-linked							Inflation 5% Nov 13	Nov 12	Yr. ago	Inflation 10% Nov 13	Nov 12	Yr. ago
6 Up to 5 years (2)	202.38	−0.12	202.62	0.69	5.28	Up to 5 yrs	3.26	3.22	3.12	2.63	2.60	2.05
7 Over 5 years (10)	*193.18*	*−0.28*	*193.72*	*1.08*	4.71	Over 5 yrs	3.62	3.60	3.63	3.43	3.41	3.44
8 All stocks (12)	193.10	−0.26	193.61	1.04	4.69							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Nov 13	Nov 12	Nov 11	Nov 8	Nov 7	Yr ago	High*	Low*
Govt. Secs. (UK)	93.68	93.84	93.73	93.74	93.36	94.33	96.34	91.59
Fixed Interest	115.35	115.42	115.38	115.57	115.20	112.82	116.45	110.74

Gilt Edged Activity Indices

	Nov 12	Nov 11	Nov 8	Nov 7	Nov 6
Gilt Edged bargains	111.7	92.5	104.0	121.3	133.1
5-day average	112.5	116.8	124.1	123.4	118.9

 * for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on November 13

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	100⅝	100⅞	+⅛	6.37
ABN Amro Bank 7¼ 05	1000	103¼	103½	+⅛	6.86
African Dev Bk 7⅜ 23	500	102¼	102⅞	+¼	7.18
[illegible]					
Spain 7¼ 03	4000	108⅞	109		5.54
Volkswagen Intl Fin 7 03	1000	108⅜	108½		5.79
World Bank 5⅞ 03	3000	102⅜	102⅝		5.46
World Bank 6⅛ 02	3000	104¼	104¾	+⅛	5.16
[illegible]					
Abbey Natl Treasury 8 03 £	1000	100½	100¾	−½	7.88
British Land 8⅞ 23 £	150	94⅛	94⅝	−⅛	9.68
Denmark 6¼ 98 £	800	99¼	99½	−¼	7.19
Depfa Finance 7⅛ 03 £	500	96⅛	96¼	−½	7.87
[illegible]					

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or −	52 week High	52 week Low
Shorts" (Lives up to Five Years)						
Treas 13¼pc 1997‡‡	13.09	6.18	101⅛	−⅛	107⅜	100½
Exch 10½pc 1997	10.39	6.21	101⅛	−⅛	107⅛	100⅛
Treas Cnv 7pc 1997‡‡	6.97	6.49	100⅛	−⅛	101	100
Treas 7¼pc 2006‡‡	7.73	7.71	100⅜	−⅜	103¼	98⅜
Treas 8pc 2002-6‡‡	7.90	7.63	101⅜	−⅜	104⅜	97⅞
Treas 11¾pc 2003-7	9.75	7.53	120½	−⅜	125⅜	118⅜
Index-Linked						
4⅝pc '98‡‡ (135.6)	0.70	2.49	113⅞	−⅛	114⅜	111⅜
2½pc '01 (78.3)	2.73	3.31	184⅞	−⅛	185⅜	176⅛
[illegible]						

CURRENCIES AND MONEY

Pound rises on rate hike expectations

MARKETS REPORT

By Simon Kuper

Sterling rose sharply yesterday, as an unexpectedly big decline in UK unemployment led traders to expect further base rate rises over the coming months.

The pound was also boosted by the hawkish tone on interest rates taken by Mr Eddie George, governor of the Bank of England, in his meeting with Chancellor Kenneth Clarke on September 23. Minutes of the meeting were published yesterday.

Sterling had already risen strongly with the dollar in overnight trading on Tuesday, after Mr Hans Tietmeyer, the Bundesbank president, had said he welcomed a rise in the dollar. Growing expectations of UK interest rate rises were reflected in the short sterling futures markets. Three-month contracts for June 1997 fell another 15 basis points and now imply a LIBOR rate of more than 7 per cent. Money market strategists said this implied an expected base rate for June of about 6.75 per cent, with another rate hike to follow soon after. The present base rate is 6 per cent.

Sterling closed in London 2.2 pfennigs higher against the D-Mark at DM2.491 and 0.6 cents stronger against the dollar at $1.653. It was the biggest mover on what one currency strategist called "the dullest day we've had for some time".

The dollar rose on Tuesday night because of Mr Tietmeyer's comments. But it hardly moved yesterday on US producer price data that suggested a benign inflationary outlook after food and energy price rises had been stripped out. The dollar closed in London 0.8 pfennigs higher against the D-Mark at DM1.507 and Y0.3 firmer against the yen at Y111.6.

There was little movement in European money systems yesterday, with scant news emerging on the single currency front.

■ Yesterday reaffirmed the pound's status as the only leading currency likely to receive a boost from rising interest rates soon.

In the US, the Federal Open Markets Committee met expectations by not raising rates. In Germany, Mr Franz-Christoph Zeitler, Bundesbank council member, said that even though key German rates were at historic lows, they could still have further to fall.

In the UK alone, an interest rate hike appears likely, particularly given yesterday's figures. The short sterling futures market expects a surprising number of hikes fast. Mr Philip Shaw, chief economist at Union Discount in London, cautioned that the rates implied in the market are the three-month LIBOR rates – interbank borrowing rates – and that these can differ from expected base rates.

Currently the LIBOR rates for specific months are higher than the implied base rates for those months, because the market is more uncertain than usual about the likely pace of base rate moves, Mr Shaw said.

But he said the market expected at least a 25 basis point rise by next month, a further rise by March 1997, and another hike by June, with yet another one expected soon afterwards.

This is surprising, as few economists at major banks expect two base rate rises before the election. The short sterling futures market is often out of synchronisation with other markets, but this size of gap is unusual.

Mr Robin Aspinall, chief economist at the National Australia Bank in London, said: "We can see 7 per cent base rates maybe by the end of next year, but it seems a bit strong to see 7 per cent by the middle of next year. I don't honestly think that if you sat market participants down and asked them what is going to happen to interest rates you would get the short sterling market's current position."

■ Sterling remains remarkably volatile. Mr Tony Norfield, currency strategist and treasury economist at ABN Amro in London, said: "The pound has an intraday range of 2 or 3 pfennigs. It goes up and down like a yo-yo." This may be because the pound has recently reacted strongly to moves in the D-Mark and dollar. But most currency analysts are bullish on sterling, given its expected interest rate support. Mr Aspinall said: "My target is DM2.53 for sterling."

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■ Pound in New York

Nov 13	—Latest—	— Prev. close —
£ spot	1.6545	1.6460
1 mth	1.6535	1.6449
3 mth	1.6509	1.6426
1 yr	1.6358	1.6288

■ OTHER CURRENCIES

Nov 13	£	$
Czech	44.4190 - 44.4730	26.8730 - 26.8930
Hungary	257.027 - 257.234	155.510 - 155.580
Iran	4960.00 - 4966.40	3000.00 - 3005.00
Kuwait	0.4986 - 0.4994	0.2998 - 0.2999
Poland	4.6345 - 4.6417	2.8040 - 2.8070
Russia	9059.00 - 9066.55	5481.00 - 5483.00
U.A.E.	6.0686 - 6.0730	3.6725 - 3.6729

WORLD INTEREST RATES

MONEY RATES

November 13	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3	3	3¼	3¼	3¼	5.00	2.50	–
week ago	3	3	3¼	3¼	3¼	5.00	2.50	–
France	3¾	3⅜	3⅜	3⅜	3⅝	3.20	–	4.75
week ago	3⅜	3⅜	3⅜	3⅜	3⅝	3.20	–	4.75
Germany	3¼	3⅛	3¼	3⅛	3⅛	4.50	2.50	3.00
week ago	3¼	3⅛	3¼	3¼	3¼	4.50	2.50	3.00
Ireland	5⅝	5¾	5¾	5¾	5⅞	–	–	6.25
week ago	5¾	5¾	5¾	5¾	5⅞	–	–	6.25
Italy	8⅞	7¾	7⅜	7¼	6⅞	9.00	7.50	8.05
week ago	7⅞	7¾	7⅜	7⅜	6⅞	9.00	7.50	8.05
Netherlands	2⅞	2⅞	2⅞	3	3⅛	–	3.00	3.30
week ago	2⅞	2⅞	2⅞	3	3⅛	–	3.00	3.30
Switzerland	1½	1⅝	1⅝	1¾	2⅛	–	1.00	–
week ago	1⅛	1⅝	1⅝	1¾	2⅛	–	1.00	–
US	5⅜	5¼	5⅜	5⅝	5⅝	–	5.00	–
week ago	5⅜	5¼	5⅜	5⅝	5⅝	–	5.00	–
Japan	½	⅜	½	⅝	⅝	–	0.50	–
week ago	½	⅜	½	⅝	⅝	–	0.50	–
■ $ LIBOR FT London								
Interbank Fixing	–	5⅜	5⅜	5½	5⅝	–	–	–
week ago	–	5⅜	5⅜	5½	5⅝	–	–	–
US Dollar CDs	–	5.11	5.08	5.14	5.25	–	–	–
week ago	–	5.11	5.09	5.12	5.22	–	–	–
ECU Linked Ds	–	4⅛	4⅛	4⅛	4¼	–	–	–
week ago	–	4⅛	4⅛	4⅛	4¼	–	–	–
SDR Linked Ds	–	3⅜	3⅜	3⅜	3½	–	–	–
week ago	–	3⅜	3⅜	3⅜	3½	–	–	–

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 13	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.45	96.45	+0.02	96.46	96.44	8,885	45,748
Mar	96.39	96.40	+0.02	96.41	96.36	8,613	56,316
Jun	96.36	96.34	-0.01	96.37	96.34	2,842	29,914

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.79	96.80	–	96.80	96.79	11035	205886
Mar	96.81	96.81	+0.01	96.81	96.78	16686	191847
Jun	96.69	96.69	+0.01	96.69	96.67	15211	173017
Sep	96.52	96.51	–	96.53	96.49	13954	143705

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	92.76	92.77	+0.02	92.78	92.75	11138	69823
Mar	93.39	93.44	+0.06	93.45	93.38	11971	54718
Jun	93.70	93.74	+0.07	93.75	93.68	5341	38412
Sep	93.90	93.95	+0.09	93.97	93.90	2908	22846

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.14	98.03	-0.09	98.14	98.00	4431	29437
Mar	98.11	98.00	-0.08	98.12	97.97	9553	33835
Jun	97.88	97.81	-0.09	97.88	97.78	1086	15564
Sep	97.65	97.57	-0.10	97.65	97.63	60	6575

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	–	99.45	–	–	–	0	n/a
Mar	99.36	99.36	+0.03	99.38	99.38	14	n/a
Jun	99.23	99.22	+0.04	99.23	99.22	83	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.83	95.82	-0.01	95.84	95.81	1583	7281
Mar	95.84	95.82	-0.01	95.84	95.81	335	5874
Jun	95.81	95.78	-0.02	95.81	95.77	265	3245
Sep	95.72	95.70	-0.01	95.72	95.69	51	3092

* LIFFE futures also traded on APT

POUND SPOT FORWARD AGAINST THE POUND

Nov 13		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.5263	+0.1582	205 - 361	17.5508	17.4073	17.4848	3.0	17.4263	2.3	-	-	104.9
Belgium	(BFr)	51.3484	+0.4818	029 - 939	51.3960	50.9440	51.2234	2.9	50.9584	3.0	49.7634	3.1	106.0
Denmark	(DKr)	9.5716	+0.0633	672 - 760	9.5760	9.5007	9.5517	2.5	9.5111	2.5	9.3322	2.5	107.3
Finland	(FM)	7.4998	+0.0512	938 - 057	7.5150	7.4560	-	-	-	-	-	-	84.5
France	(FFr)	8.4214	+0.0698	177 - 251	8.4317	8.3587	8.4024	2.7	8.3636	2.7	8.1851	2.8	108.8
Germany	(DM)	2.4910	+0.0224	899 - 920	2.4955	2.4733	2.4849	3.0	2.4721	3.0	2.4157	3.0	108.0
Greece	(Dr)	393.164	+2.427	986 - 342	395.342	391.014	-	-	-	-	-	-	67.4
Ireland	(I£)	0.9981	+0.0013	972 - 989	0.9989	0.9956	0.9978	0.4	0.9968	0.5	0.9902	0.8	101.0
Italy	(L)	2507.28	+17.84	606 - 851	2509.70	2491.78	2511.08	-1.8	2516.58	-1.5	2523.08	-0.6	76.7
Luxembourg	(LFr)	51.3484	+0.4818	029 - 939	51.3960	50.9440	51.2234	2.9	50.9584	3.0	49.7634	3.1	106.0
Netherlands	(Fl)	2.7952	+0.0267	939 - 964	2.7976	2.7738	2.788	3.1	2.773	3.2	2.7083	3.1	108.1
Norway	(NKr)	10.4520	+0.0747	464 - 575	10.4660	10.3926	10.4395	1.4	10.4195	1.2	10.3145	1.3	100.1
Portugal	(Es)	251.890	+1.797	788 - 992	252.179	250.100	252.085	-0.9	252.455	-0.9	-	-	95.8
Spain	(Pta)	209.717	+1.665	625 - 809	209.942	208.227	209.882	-0.9	210.112	-0.8	210.112	-0.2	80.1
Sweden	(SKr)	10.9946	+0.1009	837 - 055	11.0099	10.8983	10.9934	0.1	10.9908	0.1	10.9784	0.1	88.8
Switzerland	(SFr)	2.0983	+0.0227	969 - 996	2.1015	2.0812	2.0907	4.3	2.0756	4.3	2.009	4.3	107.9
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	91.3
Ecu	-	1.2998	+0.0088	991 - 004	1.3051	1.2923	1.2979	1.8	1.2934	2.0	1.272	2.1	-
SDR†	-	1.131867	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6529	+0.0064	525 - 533	1.6567	1.6419	-	-	-	-	-	-	-
Brazil	(R$)	1.7028	+0.0039	022 - 034	1.7065	1.6923	-	-	-	-	-	-	-
Canada	(C$)	2.2037	+0.0057	027 - 046	2.2076	2.1900	2.1986	2.8	2.1877	2.9	2.1287	3.4	86.4
Mexico	(New Peso)	13.0958	+0.0613	885 - 031	13.1218	12.9906	-	-	-	-	-	-	-
USA	($)	1.6532	+0.0065	528 - 536	1.6570	1.6422	1.6521	0.8	1.6498	0.8	1.6354	1.1	96.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0981	+0.0072	969 - 993	2.1028	2.0845	2.0994	-0.7	2.1001	-0.4	2.0997	-0.1	92.7
Hong Kong	(HK$)	12.7831	+0.0516	791 - 870	12.8114	12.6981	12.7758	0.7	12.7619	0.7	12.6973	0.7	-
India	(Rs)	59.1020	+0.3147	570 - 469	59.4469	58.7570	-	-	-	-	-	-	-
Israel	(Shk)	5.3485	+0.0162	430 - 539	5.3558	5.3166	-	-	-	-	-	-	-
Japan	(Y)	184.590	+1.195	436 - 624	184.720	182.880	183.64	5.8	181.78	6.0	173.75	5.8	129.9
Malaysia	(M$)	4.1739	+0.0208	723 - 755	4.1823	4.1452	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3270	+0.0045	256 - 284	2.3320	2.3091	2.3337	-3.5	2.3432	-2.8	2.3639	-1.6	111.8
Philippines	(Peso)	43.4379	+0.1708	529 - 228	43.5228	43.3529	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.2004	+0.0244	985 - 022	6.2142	6.1594	-	-	-	-	-	-	-
Singapore	(S$)	2.3172	+0.0112	161 - 183	2.3220	2.3020	-	-	-	-	-	-	-
South Africa	(R)	7.7494	+0.0502	434 - 554	7.7614	7.6416	-	-	-	-	-	-	-
South Korea	(Won)	1370.59	+8.85	001 - 117	1371.17	1361.71	-	-	-	-	-	-	-
Taiwan	(T$)	45.4630	+0.1787	189 - 071	45.5344	45.1572	-	-	-	-	-	-	-
Thailand	(Bt)	42.0492	+0.1884	307 - 678	42.1380	41.7610	-	-	-	-	-	-	-

† Rates for Nov 12. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 13		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.6027	+0.0543	005 - 048	10.6170	10.5860	10.5841	1.0	10.5427	2.3	10.3477	2.4	104.9
Belgium	(BFr)	31.0600	+0.17	400 - 800	31.0980	30.8470	31	2.3	30.8725	2.4	30.3325	2.3	105.9
Denmark	(DKr)	5.7896	+0.0275	866 - 910	5.8013	5.7760	5.7809	1.8	5.7625	1.8	5.6808	1.9	106.9
Finland	(FM)	4.5366	+0.0131	340 - 390	4.5590	4.5340	4.5277	2.3	4.509	2.4	4.4265	2.4	84.1
France	(FFr)	5.0940	+0.0223	930 - 950	5.0999	5.0823	5.0867	2.0	5.0677	2.1	4.992	2.0	108.6
Germany	(DM)	1.5068	+0.0077	065 - 070	1.5090	1.5043	1.5039	2.3	1.4979	2.3	1.4731	2.2	107.7
Greece	(Dr)	237.820	+0.555	770 - 870	239.410	237.500	239.375	-7.8	241.945	-6.9	252.97	-6.4	68.9
Ireland	(I£)	1.6585	+0.0045	564 - 575	1.6610	1.6465	1.6561	0.3	1.6557	0.2	1.6528	0.2	-
Italy	(L)	1516.83	+4.73	625 - 700	1518.84	1514.66	1519.8	-2.5	1526.23	-2.5	1559.28	-1.5	75.4
Luxembourg	(LFr)	31.0600	+0.17	400 - 800	31.0980	30.8470	31	2.3	30.8725	2.4	30.3325	2.3	105.9
Netherlands	(Fl)	1.6908	+0.0096	904 - 911	1.6920	1.6872	1.687	2.7	1.679	2.6	1.6455	2.6	105.9
Norway	(NKr)	6.3223	+0.0204	204 - 241	6.3717	6.3010	6.3188	0.7	6.3129	0.6	6.2873	0.6	99.5
Portugal	(Es)	152.365	+0.49	340 - 390	152.550	151.420	152.57	-1.6	152.865	-1.3	153.64	-0.8	96.0
Spain	(Pta)	126.855	+0.51	830 - 880	127.070	126.470	127.035	-1.7	127.295	-1.4	127.96	-0.9	80.0
Sweden	(SKr)	6.6505	+0.035	455 - 555	6.6665	6.6305	6.6477	0.5	6.6379	0.8	6.5905	0.9	88.4
Switzerland	(SFr)	1.2692	+0.0057	687 - 697	1.2707	1.2660	1.2654	3.6	1.2578	3.7	1.2247	3.5	107.8
UK	(£)	1.6532	+0.0065	528 - 536	1.6570	1.6422	1.6521	0.8	1.6498	0.8	1.6349	1.1	90.4
Ecu	-	1.2720	-0.0036	716 - 723	1.2737	1.2670	1.2733	-1.3	1.2765	-1.4	1.2931	-1.7	-
SDR†	-	0.685274	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0001	998 - 998	0.9998	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0300	-0.0017	299 - 301	1.0312	1.0299	-	-	-	-	-	-	-
Canada	(C$)	1.3330	-0.0018	327 - 332	1.3345	1.3324	1.3308	2.1	1.3256	2.2	1.2981	2.6	85.6
Mexico	(New Peso)	7.9215	+0.005	190 - 240	7.9240	7.9190	8.0395	-17.9	8.306	-19.4	9.1685	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.0
Pacific/Middle East/Africa													
Australia	(A$)	1.2691	-0.0007	687 - 695	1.2695	1.2687	1.2706	-1.4	1.2735	-1.1	1.276	-0.7	94.2
Hong Kong	(HK$)	7.7322	+0.0008	318 - 326	7.7326	7.7318	7.7322	0.0	7.7328	0.0	7.7438	-0.1	-
India	(Rs)	35.7500	+0.05	500 - 500	35.9500	35.5500	35.955	-7.2	36.425	-7.6	-	-	-
Israel	(Shk)	3.2352	-0.0017	327 - 377	3.2436	3.2327	-	-	-	-	-	-	-
Japan	(Y)	111.620	+0.285	590 - 650	111.650	111.310	111.145	5.1	110.14	5.3	105.94	5.1	130.3
Malaysia	(M$)	2.5248	+0.0027	244 - 251	2.5251	2.5228	2.5278	-1.4	2.533	-1.3	2.5643	-1.2	-
New Zealand	(NZ$)	1.4076	-0.0027	071 - 081	1.4081	1.4071	1.4131	-4.7	1.4174	-2.8	1.4489	-2.9	-
Philippines	(Peso)	26.2750	-	300 - 200	26.3200	26.2300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7507	3.7503	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4017	+0.0013	013 - 020	1.4022	1.4010	1.3995	1.8	1.3949	1.9	1.3757	2.0	-
South Africa	(R)	4.6875	+0.012	850 - 900	4.6900	4.6430	4.7262	-10.4	4.8002	-9.9	5.116	-9.2	-
South Korea	(Won)	829.050	+2.1	900 - 200	830.500	828.900	-	-	-	-	-	-	-
Taiwan	(T$)	27.5000	-	800 - 200	27.5200	27.4800	27.5001	0.0	27.5003	0.0	-	-	-
Thailand	(Bt)	25.4350	+0.014	300 - 400	25.4450	25.4250	25.525	-4.2	25.6825	-4.0	26.33	-3.5	-

† SDR rate per $ for Nov 12. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 12: Base average 1990=100.

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 13		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.64	16.40	4.851	1.944	4882	5.443	20.35	490.6	408.4	21.40	4.086	1.947	4.290	3.219	359.3	2.530
Denmark	(DKr)	53.65	10	8.798	2.602	1.043	2619	2.920	10.92	263.2	219.1	11.48	2.192	1.045	2.302	1.727	192.7	1.357
France	(FFr)	60.98	11.37	10	2.958	1.185	2977	3.319	12.41	299.1	249.0	13.05	2.491	1.188	2.616	1.963	219.1	1.543
Germany	(DM)	20.61	3.843	3.381	1	0.401	1006	1.122	4.195	101.1	84.18	4.412	0.842	0.401	0.884	0.664	74.07	0.521
Ireland	(I£)	51.45	9.591	8.438	2.496	1	2512	2.801	10.47	252.4	210.1	11.01	2.102	1.002	2.207	1.656	184.9	1.302
Italy	(L)	2.048	0.382	0.336	0.099	0.040	100.	0.111	0.417	10.05	8.365	0.438	0.084	0.040	0.088	0.066	7.359	0.052
Netherlands	(Fl)	18.37	3.425	3.013	0.891	0.357	897.0	1	3.739	90.13	75.03	3.932	0.751	0.358	0.788	0.591	66.01	0.465
Norway	(NKr)	49.14	9.160	8.058	2.384	0.955	2399	2.675	10	241.1	200.7	10.52	2.008	0.957	2.108	1.582	176.6	1.243
Portugal	(Es)	20.39	3.800	3.343	0.989	0.396	995.2	1.110	4.148	100.	83.25	4.363	0.833	0.397	0.875	0.656	73.24	0.516
Spain	(Pta)	24.49	4.565	4.016	1.188	0.476	1196	1.333	4.983	120.1	100.	5.241	1.000	0.477	1.051	0.788	87.98	0.619
Sweden	(SKr)	46.72	8.710	7.662	2.267	0.908	2281	2.543	9.509	229.2	190.8	10	1.909	0.910	2.005	1.504	167.9	1.182
Switzerland	(SFr)	24.48	4.562	4.014	1.187	0.476	1195	1.332	4.981	120.1	99.95	5.238	1	0.477	1.050	0.788	87.94	0.619
UK	(£)	51.35	9.572	8.421	2.491	0.998	2507	2.795	10.45	251.9	209.7	10.99	2.098	1	2.203	1.653	184.5	1.299
Canada	(C$)	23.31	4.345	3.823	1.131	0.453	1138	1.269	4.744	114.3	95.19	4.989	0.952	0.454	1	0.750	83.75	0.590
US	($)	31.06	5.791	5.094	1.507	0.604	1517	1.691	6.322	152.4	126.9	6.649	1.269	0.605	1.333	1	111.6	0.786
Japan	(Y)	27.83	5.188	4.564	1.350	0.541	1359	1.515	5.664	136.5	113.7	5.957	1.137	0.542	1.194	0.896	100.	0.704
Ecu		39.53	7.369	6.483	1.918	0.768	1930	2.152	8.045	193.9	161.4	8.460	1.615	0.770	1.696	1.273	142.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6643	0.6663	+0.0020	0.6663	0.6640	32,627	62,497
Mar	0.6690	0.6703	+0.0021	0.6703	0.6690	1,404	5,362
Jun	–	0.6730	+0.0009	0.6730	–	25	2,533

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7903	0.7915	+0.0006	0.7928	0.7894	19,982	47,972
Mar	0.7980	0.7991	+0.0012	0.7993	0.7980	290	3,631
Jun	–	0.8060	+0.0012	0.8060	–	1	684

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9003	0.9013	+0.0007	0.9025	0.8982	19,742	67,168
Mar	0.9130	0.9126	+0.0006	0.9134	0.9118	303	3,504
Jun	–	0.9234	–	–	–	301	776

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.6448	1.6516	+0.0068	1.6534	1.6410	5,817	59,660
Mar	1.6476	1.6474	+0.0062	1.6500	1.6460	154	1,097
Jun	–	1.6440	–	1.6450	–	45	204

EMS EUROPEAN CURRENCY UNIT RATES

Nov 13	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Ireland	0.792214	0.771833	-0.005039	-2.57	4.43	17
Portugal	195.792	195.000	+0.016	-0.40	2.15	3
Spain	162.493	162.279	+0.147	-0.13	1.87	1
Finland	5.80661	5.80599	-0.00148	-0.01	1.75	0
Netherlands	2.15214	2.16192	+0.00299	0.45	1.28	-3
Belgium	39.3960	39.7166	+0.0522	0.82	0.91	-6
Germany	1.91007	1.92761	+0.0027	0.92	0.81	-6
Austria	13.4383	13.5635	+0.0191	0.93	0.80	-7
Denmark	7.28580	7.40050	+0.00637	1.57	0.16	-11
France	6.40608	6.51751	+0.00484	1.74	0.00	-15
NON ERM MEMBERS						
Greece	292.867	304.428	-0.285	3.95	-2.12	-
Italy	2106.15	1941.79	-1.86	-7.80	10.35	-
UK	0.786652	0.773933	-0.005248	-1.62	3.41	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.620	-	-	3.32	-	0.61	1.10
1.630	1.47	2.26	2.69	0.03	0.92	1.47
1.640	0.70	1.67	2.18	0.26	1.33	1.95
1.650	0.23	1.19	1.71	0.79	1.86	2.51
1.660	0.22	0.82	1.31	1.58	2.51	2.99

Previous day's vol., Calls 3,316 Puts 8,669 . Prev. day's open int., Calls 163,665 Puts 159,168

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.49	94.48	-0.01	94.50	94.48	27,883	455,095
Mar	94.47	94.46	–	94.48	94.44	26,436	374,372
Jun	94.37	94.38	+0.01	94.39	94.35	27,723	291,984

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.98	94.99	-0.01	94.99	94.98	315	3,288
Mar	94.96	94.97	+0.02	94.97	94.95	102	2,674
Jun	-	94.85	–	-	–	30	1,531

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9675	0.06	0.07	0.11	0.15	0.01	0.02	0.05	0.09
9700	0	0	0.01	0.04	0.20	0.20	0.20	0.23
9725	0	0	0	0.01	0.45	0.45	0.44	0.45

Est. vol. total, Calls 46325 Puts 125. Previous day's open int., Calls 443522 Puts 331062

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.04	0.14	0.15	0.26	0.39	0.59
9850	0.01	0.04	0.06	0.48	0.54	0.77

Est. vol. total, Calls 100 Puts 0. Previous day's open int., Calls 4236 Puts 2150

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9275	0.14	0.78	1.09	0.12	0.07	0.10
9300	0.04	0.55	0.87	0.27	0.11	0.13
9325	0.01	0.37	0.68	0.49	0.18	0.19

Est. vol. total, Calls 2534 Puts 7818, Previous day's open int., Calls 126806 Puts 74410

UK INTEREST RATES

LONDON MONEY RATES

Nov 13	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5$\frac{11}{16}$ - 2	6 - 5⅞	6⅛ - 6	6⅛ - 6$\frac{1}{16}$	6$\frac{3}{16}$ - 6$\frac{7}{16}$	6$\frac{13}{32}$ - 6$\frac{11}{32}$
Sterling CDs	-	-	6$\frac{1}{16}$ - 6$\frac{1}{32}$	6$\frac{5}{32}$ - 6$\frac{7}{32}$	6$\frac{7}{16}$ - 6⅜	6$\frac{21}{32}$ - 6$\frac{19}{32}$
Treasury Bills	-	-	5$\frac{29}{32}$ - 5$\frac{27}{32}$	5$\frac{31}{32}$ - 5$\frac{29}{32}$	-	-
Bank Bills	-	-	5$\frac{31}{32}$ - 5⅞	6⅛ - 6	6$\frac{5}{16}$ - 6$\frac{3}{16}$	-
Local authority deps.	6⅛ - 6	6 - 5¾	6$\frac{1}{16}$ - 6	6⅛ - 6$\frac{1}{16}$	6$\frac{5}{16}$ - 6$\frac{7}{16}$	6$\frac{9}{16}$ - 6$\frac{7}{16}$
Discount Market deps	5$\frac{11}{16}$ - 5	6 - 5⅞	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount on Nov 8, 5.9068pc. ECGD fixed rate Stlg. Export Finance. Make up day Oct 31, 1996. Agreed rate for period Nov 26, 1996 to Dec 24, 1996, Scheme III 7.25pc. Reference rate for period Oct 1, 1996 to Oct 31, 1996, Schemes IV & V 6.001pc. Finance House Base Rate 6pc from Nov 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.63	93.55	-0.07	93.63	93.54	18951	101052
Mar	93.35	93.25	-0.11	93.38	93.23	32369	111029
Jun	93.05	92.93	-0.13	93.08	92.91	30811	97170
Sep	92.82	92.69	-0.14	92.82	92.67	10583	60685
Dec	92.65	92.52	-0.13	92.65	92.50	4634	45931

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9350	0.11	0.08	0.09	0.06	0.33	0.68
9375	0.01	0.02	0.04	0.21	0.52	0.86
9400	0	0.01	0.02	0.45	0.76	1.09

Est. vol. total, Calls 5101 Puts 10435. Previous day's open int., Calls 189245 Puts 180254

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Cyprus Popular Bank	6.00	NatWestminster	6.00
Allied Irish Bank (GB)	6.00	Duncan Lawrie	6.00	●Rea Brothers	6.00
Allied Trust Bank	6.00	Exeter Bank Limited	7.00	Royal Bk of Scotland	6.00
●Henry Ansbacher	6.00	Financial & Gen Bank	7.00	●Singer & Friedlander	6.00
Bank of Baroda	6.00	●Robert Fleming & Co	6.00	●Smith & Williamson Secs	6.00
Banco Bilbao Vizcaya	6.00	Girobank	5.75	Scottish Widows Bank	6.00
Bank of Cyprus	6.00	●Guinness Mahon	6.00	TSB	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	United Bank of Kuwait	6.00
Bank of India	6.00	●Hambros Bank	6.00	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	6.00	Western Trust	6.00
Barclays Bank	6.00	●Hill Samuel	6.00	Whiteaway Laidlaw	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00	Yorkshire Bank	6.00
●Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00		
Citibank NA	6.00	Julian Hodge Bank	6.00	● Members of London Investment Banking Association	
Clydesdale Bank	6.00	●Leopold Joseph & Sons	6.00	* In administration	
The Co-operative Bank	6.00	Lloyds Bank	6.00		
Coutts & Co	6.00	Midland Bank	6.00		
Credit Lyonnais	6.00	*Mount Credit Corp	6.25		

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CONTRACTS & TENDERS

COMMODITIES AND AGRICULTURE

Price of wood pulp slips as recovery falters

By Deborah Hargreaves

Wood pulp prices are sliding back as the recovery which began in July has started to falter. Rising capacity in the pulp and paper market is putting pressure on prices for pulp and most grades of paper – and analysts believe the market could go lower before it improves.

Increases in September list prices to $580 a ton have failed to stick across Europe and pulp producers have struggled to try to impose an October rise on the market to $620 a ton.

The North American market is holding up slightly better, with prices pushing $600 a ton, but spot prices are beginning to slip to $580 a ton as demand weakens.

The spot market is currently trading at around $565 in Europe and even lower at around $500 in Asia, where price pressure is intense.

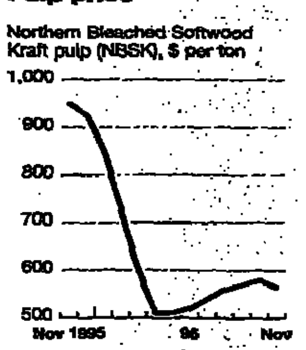
"We are likely to see prices move sideways to down in the near term. There is more downside pressure than upside right now," said Mr Hakan Ostling, European pulp and paper analyst at Goldman Sachs in London.

A sharp slide in pulp prices at the beginning of the year led producers to try to strengthen the market by taking extended holidays during the early summer months. But the July upturn convinced most pulp mills that the market had turned and from then on, manufacturers were running flat out.

This has led to a large build up of stocks to 1.7m tons from 1.5m tons in June. "Traditionally, the market feels price increases can happen when inventories are at 1.5m tons, but we are expecting stocks to increase to 1.8m tons this month," one European analyst said.

Pulp price

Northern Bleached Softwood Kraft pulp (NBSK), $ per ton



Source: Pulpwatch Newsletter/Goldman Sachs.

Weakness in pulp is spreading to other paper grades, with newsprint and lightweight coated paper prices slipping, but the higher grade paper market is quite strong, with European demand expected to rise four per cent this year.

In Indonesia and Korea, roughly 500,000 tons of paper-making capacity will start up next year, which is likely to keep the pressure on prices. In Europe, a new Scandinavian newsprint machine is scheduled.

"Capacity expansion in the Far East is now a very decisive factor in the pulp and paper market because trade is so global," said Mr Tim Rothwell of Gerrard Vivian Gray, the London brokers.

The increase in Asian capacity will limit European mills' ability to export to the region, which normally takes shipments equal to around 25 per cent of European consumption.

Analysts say it is difficult to call the market's direction but most are pessimistic on prices. "The situation is very fluid, but I think there will be some erosion in prices for the next three to six months," said Mr Ostling.

Modo results, International companies

Fear of rush from gold grips market

The gold market is gripped with fear that some European countries will make substantial sales of the precious metal from their reserves to help them meet the criteria for monetary union.

The apprehension is understandable. In the unlikely event that all those countries that could sell gold to qualify for Emu did so, it would add up to 2,300 tonnes – more than all the gold mined last year.

Analysts are sharply divided about whether any sales are likely. They are all agreed, however, that worries about possible Emu gold sales are giving those who are betting on a fall in the gold price the upper hand in the market at the moment.

Among supporters of the theory is Mr Stephen Yorke, director of political research at SBC Warburg. He suggests some European states will be tempted to sell gold to meet their Emu objectives. "And I think it will happen sooner rather than later – that is, within the first few months of 1997.

"The magic ingredient that could change the attitude of EU member states from theoretical resistance to stealthy participation in unmatched gold sales over the next few months is political desperation and fear," Mr Yorke says.

He points out that between the end of 1991 and October this year Belgium sold 14.9m ounces of gold. During 1996 alone it has sold 5.2m ounces.

"The sales were justified in two important ways," says Mr Yorke. "First, Belgium had a relatively high percentage of gold as total reserves. It was argued that the exercise was only a recalibration of reserves. Second, the use to which the money was put was considered a 'worthy' one, that is a reduction of debt to help Emu qualification. Crucially, the guardian of the Emu conscience, the European Monetary Institute, wholeheartedly welcomed the Belgian initiative. This seal of approval from the forerunner of the European Central Bank would be paraded by others should they decide to follow the Belgian example."

Mr Andy Smith, analyst at Union Bank of Switzerland, is far from convinced gold sales will take place, but he admits "innocent bystanders like the gold market are at risk of being splashed as Europe scrubs up to meet or cheat the 1997 entry criteria for monetary union".

He points out, however, that some European central banks would not sell gold for traditional – "some might say semi-religious" – reasons. "Although a 650-tonne disposal would allow France to meet the Emu deficit criterion, it is probably safe to assume the Louvre would be sold first. And Italy would have to sell more gold than she owns to meet the deficit target."

Nevertheless, he says, "the prime concern for the gold market is that gold is far from the prime concern of European governments and bureaucracies preoccupied with single payment systems, the treatment of those who will not join Emu and the sanity of cows.

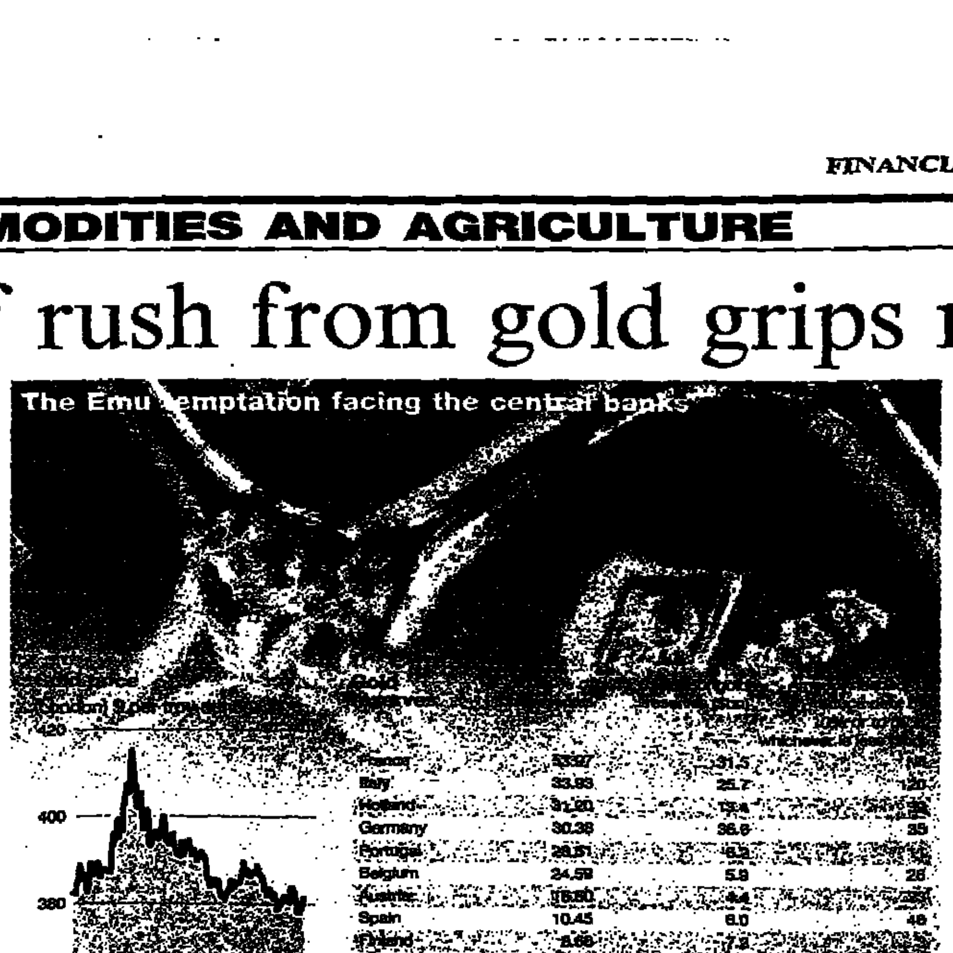
"A clear statement from the European Monetary Institute that someone cares about gold getting soaked in this process would help," he suggests.

Ms Rhona O'Connell, analyst at the broker T Hoare & Co, is among those who dismiss the idea that any gold sales will take place. "The idea is an interesting concept but it does not seem to hold much water," she insists. "In the vast majority of cases, the size of gold sales necessary to reduce the budget deficit to the required level is way too high, and generally considerably exceeds the amount of gold that any of these countries actually hold. For those countries where sales are viable – France, Greece, the Netherlands, and Portugal – the only one which, after such sales, would still have an acceptable level of gold in its foreign exchange holdings is France."

But Mr Yorke has another thought to chill any gold bull. "If the EU was to lead the way, the US, clearly the largest gold holder with the worst debt problem, could follow. The risk of the institutional support for the gold price being kicked away is perhaps greater than anyone has yet appreciated."

Kenneth Gooding

The Emu temptation facing the central banks



Source: Datastream

Source: IFS and SBC Warburg

Farmers build New Zealand deer herds

By Terry Hall in Wellington

European consumers, switching from beef in the wake of the "mad cow" scare, have helped push the number of deer farmed in New Zealand to record levels.

Deer farmers are carrying out a major herd-building exercise. There are now 1.5m deer in New Zealand – confirming the country's position as the biggest venison and deer velvet producer in the world.

In the year to September last year, farmers culled heavily, reducing the national herd to 1.18m, according to figures from the New Zealand Ministry of Agriculture.

Since then rising demand and prices for venison on world markets, due to the BSE crisis and the launch of the "Cervena" venison brand on North American markets, has encouraged farmers to hold back hinds for breeding.

So far this season 110,000 fewer hinds have been sent to the meat processing works. Demand for breeding stock is continuing to push up prices at market – making it difficult for processing companies to find animals for slaughter.

Mr Rex Moore, of the Game Industry Board, said herd numbers had now easily passed the previous peak in 1993. One farmer had planned to send a number of 100kg hinds to the works. "A trader heard of this and paid him NZ$100 more each to resell as breeding stock," he said.

Mr Moore said the greater profitability in the industry was encouraging herd building. "Farmers need to sell a lot less animals to give them the same cash flow they needed to operate profitably last year," he said.

Oil and refined products move sharply higher

MARKETS REPORT

By Deborah Hargreaves and Kenneth Gooding

Oil and refined product prices were sharply higher yesterday as US traders pushed the market ahead on fears over cold weather in the north-east of the US.

The North Sea Brent crude oil market rose 51 cents to $23.34 a barrel as a cold spell in the US renewed traders' fears about low oil and products stocks. The December futures contract on the New York Mercantile Exchange was 40 cents higher by mid-session at $23.75 a barrel.

Products like heating oil and jet fuel were also stronger, with jet fuel up $6 a tonne to $250 a tonne. The rise came as international airlines began a three-day meeting in Geneva to discuss increasing some basic fares because of higher fuel prices. Heating oil futures on Nymex rose nearly two cents to 70 cents a gallon and on London's International Petroleum Exchange December gas oil futures increased by $5.75 to $216 a tonne.

US spot prices for liquefied petroleum gas soared, with propane spot prices in Texas up three cents to 55 cents a gallon.

On the London Metal Exchange speculative buying helped push the price of copper for delivery in three months to $2,083 a tonne at one stage, the highest for more than two months.

Speculators were banking on the exchange reporting tomorrow another "five-figure" fall in its stocks – already at a six-year low.

Strong selling was seen when the price reached $2,075 and the market was also unsettled by a revelation from the World Bureau of Metal Statistics that there seemed to be substantial unreported copper stocks in Rotterdam. Three-month copper was at $2,060 in late trading, up $15 on Tuesday.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1421.5-22.5	1446-47
Previous	1435-36	1458-59
High/low	1426	1456/1446
AM Official	1425-26	1448-48.5
Kerb close		1442.5-43.0
Open int.	237,069	
Total daily turnover	59,913	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1275-85	1305-10
Previous	1275-85	1305-10
High/low		1311/1302
AM Official	1278-80	1305-10
Kerb close		1300-302
Open int.	6,411	
Total daily turnover	1,396	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	734.5-35.5	734.5-35.5
Previous	733.5-4.5	738-8.5
High/low	733	742/739
AM Official	732-33	738.5-39.0
Kerb close		738-39
Open int.	39,814	
Total daily turnover	7,339	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7085-95	7195-200
Previous	7108-10	7215-20
High/low	7122	7235/7190
AM Official	7122-24	7234-35
Kerb close		7165-70
Open int.	44,522	
Total daily turnover	8,677	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5965-75	6000-6005
Previous	5950-60	5990-6000
High/low		6030/5970
AM Official	5945-55	5990-95
Kerb close		5995-6000
Open int.	16,200	
Total daily turnover	6,628	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1040-41	1061-62
Previous	1043-44	1064-65
High/low		1067/1059
AM Official	1041-42	1061.5-62
Kerb close		1062-63
Open int.	86,393	
Total daily turnover	20,887	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2151-54	2069-70
Previous	2142-45	2054-55
High/low		2083/2045
AM Official	2131-33	2056-57
Kerb close		2060-61
Open int.	165,368	
Total daily turnover	96,159	

■ LME AM Official £/$ rate: 1.6525
LME Closing £/$ rate: 1.6540

Spot: 1.6550 3 mths: 1.6517 6 mths: 1.6471 9 mths: 1.6428

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	98.80	+0.15	99.60	98.00	448	2,509
Dec	97.90	-0.05	98.70	96.70	9,137	22,780
Jan	96.50	+0.05	96.50	95.20	43	2,012
Feb	95.50	+0.05	96.00	95.20	53	1,081
Mar	94.50	-0.05	95.10	93.60	3,373	14,077
Apr	93.90	+0.10	88.43	88.43	63	580
Total					13,437	61,168

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	383.70-384.00		
Opening	382.60-382.90		
Morning fix	382.50	231.608	485.546
Afternoon fix	383.60	231.823	486.021
Day's High	384.20-384.50		
Day's Low	381.90-382.20		
Previous close	381.50-381.90		

Loco Ldn Mean Gold Lending Rates (Vs US$)
1 month ....3.16 6 months 3.31
2 months ....3.11 12 months 3.43
3 months 3.11

Silver Fix	p/troy oz.	US cts equiv.
Spot	296.30	490.00
3 months	300.65	496.15
6 months	304.75	501.70
1 year	314.75	514.75

Gold Coins	$ price	£ equiv.
Krugerrand	378-80	228-230
Maple Leaf	388.65-391.10	-
New Sovereign	88-91	53-55

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	383.7	+0.8	-	-	14	6
Dec	384.2	+0.8	385.8	382.8	31,468	84,198
Feb	386.2	+0.9	387.8	384.9	1,914	27,998
Apr	388.4	+0.9	390.0	388.0	177	12,626
Jun	390.7	+0.9	392.2	389.5	68	12,428
Aug	393.0	+0.9	394.2	394.2	321	4,374
Total					34,213	188,454

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	391.8	-0.4	393.0	390.5	5,209	18,683
Apr	394.1	-0.4	395.0	394.5	85	8,409
Jul	397.0	-0.4	397.5	397.5	2	991
Oct	400.3	-0.4	-	-	6	136
Total					5,295	28,219

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	123.60	+3.65	123.75	120.00	970	6,078
Mar	124.60	+3.75	124.75	121.50	494	1,927
Jun	125.90	+3.75	122.75	122.75	71	218
Total					1,464	8,222

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	488.8	+2.0	482.0	489.0	1	-
Dec	489.8	+1.8	494.0	488.5	12,355	57,013
Jan	491.8	+1.8	-	-	-	26
Mar	496.8	+1.9	501.0	494.0	2,680	17,823
May	501.1	+1.9	503.5	502.0	46	5,738
Jul	505.6	+2.0	508.5	503.0	57	5,543
Total					15,225	84,736

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	23.74	+0.39	23.84	23.37	33,286	68,851
Jan	23.62	+0.37	23.89	23.25	18,769	70,580
Feb	23.30	+0.35	23.37	23.07	5,637	38,388
Mar	22.95	+0.33	22.99	22.75	3,059	24,831
Apr	22.55	+0.25	22.55	22.39	1,667	17,373
May	22.22	+0.24	22.22	22.08	1,340	13,614
Total					66,779	396,335

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	23.34	+0.51	23.41	22.98	24,526	35,309
Jan	22.94	+0.42	22.96	22.65	22,273	68,814
Feb	22.49	+0.41	22.50	22.21	3,469	27,657
Mar	21.97	+0.36	21.97	21.75	1,301	29,300
Apr	21.47	+0.33	21.47	21.35	368	9,169
May	20.50	-	20.94	20.91	90	4,863
Total					57,209	200,875

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	70.05	+1.80	70.45	68.25	17,234	37,279
Jan	69.90	+1.61	70.15	68.35	6,598	37,002
Feb	68.30	+1.36	68.60	66.90	2,325	16,498
Mar	65.80	+1.26	65.85	64.75	1,101	9,711
Apr	62.10	+0.86	62.15	61.50	382	5,483
May	59.80	+1.01	59.80	59.35	147	3,002
Total					28,378	127,303

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	220.50	-	220.25	216.00	6,617	6,651
Dec	216.50	+5.75	216.75	211.50	9,815	28,571
Jan	212.00	+4.75	212.50	207.75	5,924	29,786
Feb	206.00	+4.00	206.25	203.50	1,141	9,755
Mar	199.00	+3.25	199.00	197.25	752	6,522
Apr	192.00	+2.50	192.00	190.25	527	4,482
Total					18,286	82,432

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	2.680	+0.014	2.680	2.615	22,386	33,868
Jan	2.655	+0.012	2.675	2.615	10,152	31,322
Feb	2.455	+0.003	2.480	2.435	4,153	15,455
Mar	2.275	+0.016	2.280	2.250	1,032	10,533
Apr	2.090	+0.010	2.100	2.070	333	6,406
May	2.020	+0.015	2.025	2.005	273	5,763
Total					38,989	190,171

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Dec	66.90	+1.13	67.10	65.45	14,663	22,379
Jan	64.70	+0.74	64.90	63.94	4,775	17,167
Feb	64.15	+0.67	64.25	63.60	1,611	7,433
Mar	64.50	+0.70	64.50	64.35	408	3,953
Apr	66.25	+0.58	66.25	66.20	233	2,925
May	65.85	+0.63	65.85	65.85	120	1,422
Total					21,895	57,325

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	95.50	-1.75	96.50	96.50	1	25
Jan	97.20	-1.85	98.75	97.25	69	2,108
Mar	99.10	-1.80	100.90	98.95	199	1,946
May	100.20	-1.90	102.00	100.15	338	1,945
Jul	101.40	-1.85	103.00	103.00	20	298
Nov	96.80	-0.85	97.75	96.80	82	202
Total					709	6,528

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	400.75	+9.25	402.00	393.00	13,623	27,983
Mar	395.00	+7.25	398.00	387.50	9,852	21,020
May	368.50	+4.00	372.50	363.00	1,728	3,576
Jul	352.50	+1.25	356.00	348.50	2,674	11,852
Sep	355.00	+0.50	355.50	353.50	28	362
Dec	364.00	+2.00	367.00	364.00	18	190
Total					27,886	65,982

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	271.75	+3.75	272.00	268.75	58,707	123,124
Mar	273.50	+3.00	274.00	269.00	39,988	108,748
May	277.00	+3.50	277.25	272.25	12,186	44,478
Jul	279.75	+3.50	280.00	275.50	12,785	38,556
Sep	273.50	+1.50	275.25	272.50	728	4,699
Dec	272.75	+2.25	273.00	270.00	6,987	30,570
Total					131,735	382,053

■ BARLEY LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	91.75	-0.65	92.00	91.75	10	282
Jan	93.25	-0.50	93.25	93.25	10	747
Mar	94.50	-0.50	94.50	94.50	10	232
May	95.50	-0.50	-	-	-	118
Sep	92.50	-	-	-	-	1
Nov	94.50	-	-	-	-	25
Total					30	1,405

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	692.75	+4.25	693.00	688.00	2,262	3,403
Jan	690.50	+4.25	691.50	683.50	63,665	71,264
Mar	690.75	+4.00	691.50	685.00	13,133	35,475
May	692.50	+4.25	693.00	686.75	5,310	18,448
Jul	694.50	+5.00	695.50	689.50	5,364	14,643
Aug	693.00	+6.00	692.50	690.00	297	2,093
Total					92,631	154,988

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	23.08	+0.04	23.22	22.92	13,526	39,289
Jan	23.36	+0.09	23.45	23.17	9,296	24,090
Mar	23.65	-0.02	23.80	23.53	4,315	20,136
May	24.00	-	24.05	23.81	1,155	11,148
Jul	24.27	-	24.28	24.10	1,417	5,222
Aug	24.30	-	24.30	24.25	47	1,446
Total					29,915	103,787

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	232.5	+1.8	232.6	229.5	23,810	33,398
Jan	224.5	+1.7	224.6	221.8	10,507	18,273
Mar	218.7	+2.1	219.0	215.8	7,159	20,744
May	214.5	+1.9	214.8	212.5	3,207	10,764
Jul	214.2	+2.2	214.2	212.0	2,579	7,389
Aug	213.0	+2.3	213.3	212.0	497	1,730
Total					47,977	94,601

■ POTATOES LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	63.2	-	-	-	-	-
Apr	70.0	-1.2	71.0	70.0	15	1,287
May	79.0	-1.2	-	-	-	17
Jun	89.0	-1.2	-	-	-	-
Apr	116.0	-2.0	116.0	116.0	5	7
Total					20	1,313

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1460	-50	1500	1455	89	363
Dec	1400	-50	1440	1398	171	593
Jan	1335	-40	1375	1325	259	1,818
Apr	1355	-20	1370	1340	97	721
Jul	1140	-10	1150	1140	19	249
Oct	1265	-15	-	-	-	34
Total					617	3,803

	Close	Prev
BFI	1522	1515

FUTURES DATA
All futures data supplied by CMS.

Nuts and Seeds
Prices from Kenkko Group; US$ a tonne. Iranian pistachios 28/30. Raw (in shell) naturally opened (round). RPPC announced new crop prices at 3,850 CFR; crop around 75,000 tons, about 50 per cent less than last year. US almonds (shelled): 23/25 NPSSR up at 5,850 FAS California. Nov/Dec shipment due to shortage of nonpareil variety. US walnuts LHP 20%: 5,500 FAS California; in-shell Hartley very difficult, price idea 2,350 FAS. Turkish hazelnuts, standard No 1, unstable with Lira fluctuations, price idea between 3,500 and 3,600 CFR. Turkish apricots, number one, sold out; for number two, price up at 3,500 CFR. Indian cashews raw; W-320, 5,500 CFR EMP. Spot goods still firm at 5,800 FCA Rotterdam. US pecans, fancy junior mammoth halves, crop 1996, cheapest of US shelled nuts at 4,850 FOB.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	882	-11	888	878	1,675	18,481
Mar	916	-9	920	911	2,744	46,332
May	934	-8	939	929	1,539	14,286
Jul	952	-6	955	947	571	12,504
Sep	967	-8	973	962	677	6,797
Dec	983	-7	989	980	316	5,134
Total					7,944	127,176

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1310	+5	1315	1286	6,780	6,004
Mar	1367	+16	1370	1342	9,320	39,432
May	1390	+19	1392	1363	539	10,068
Jul	1404	+16	1406	1382	126	7,142
Sep	1415	+9	1420	1400	268	6,099
Dec	1434	+9	-	-	11	900
Total					17,020	78,693

■ COCOA (ICCO) (SDR's/tonne)

Nov 12	Price	Prev. day
Daily	961.49	996.31

■ COFFEE LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1500	-22	1530	1490	341	2,578
Jan	1430	-17	1456	1420	3,559	16,449
Mar	1370	-17	1395	1368	1,690	8,510
May	1350	-18	1375	1350	189	4,587
Jul	1345	-25	1370	1345	68	591
Sep	1350	-20	-	-	-	217
Total					5,845	33,830

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	118.50	+0.30	120.40	117.30	5,136	6,553
Mar	111.35	+0.95	112.60	109.75	5,020	14,656
May	108.00	+0.50	109.40	107.25	776	4,584
Jul	106.95	+0.45	108.00	107.25	208	1,102
Sep	105.95	+0.45	105.65	105.65	93	775
Dec	104.95	+0.45	105.50	105.50	16	419
Total					11,249	28,154

■ COFFEE (ICO) (US cents/pound)

Nov 12		Prev. day
Comp. daily	96.84	97.62
15 day average	99.07	99.29

■ WHITE SUGAR LIFFE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	303.7	-0.1	304.6	302.2	452	1,216
Mar	303.3	-	304.1	301.4	1,684	14,853
May	304.1	-0.2	305.1	303.1	148	4,737
Aug	303.3	-0.4	305.5	304.1	391	2,208
Oct	300.2	-0.2	300.5	299.4	153	1,178
Dec	302.1	-0.8	303.5	303.2	23	309
Total					2,857	24,862

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.48	+0.10	10.50	10.33	7,439	86,011
May	10.55	+0.05	10.56	10.45	2,202	30,021
Jul	10.47	+0.02	10.50	10.42	509	19,316
Oct	10.48	+0.01	10.50	10.43	508	11,645
Mar	10.48	+0.02	10.52	10.48	153	3,989
May	10.46	+0.02	10.51	10.51	16	803
Total					10,812	152,292

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	70.97	+0.67	71.15	70.45	7,182	21,828
Mar	73.08	+0.43	73.30	72.68	5,080	17,159
May	74.29	+0.49	74.50	74.00	1,082	9,842
Jul	75.10	+0.55	75.20	74.70	985	6,697
Oct	75.70	+0.37	75.75	75.55	130	1,261
Dec	73.78	+0.35	75.80	75.45	808	5,390
Total					15,247	62,465

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	107.30	-4.95	112.00	107.50	701	3,833
Jan	99.90	+0.30	100.10	99.30	561	11,516
Mar	102.80	+0.30	103.00	102.45	141	6,238
May	105.30	+0.25	105.70	105.25	17	2,244
Jul	107.95	+0.90	107.75	107.75	46	628
Sep	109.95	+0.90	109.95	109.95	13	251
Total					721	22,881

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Nov 13	Nov 12	month ago	year ago
1845.1	1857.8	1871.0	2172.8

■ CRB Futures (Base: 1967 = 100)

Nov 12	Nov 11	month ago	year ago
240.49	240.64		

■ GSCI Spot (Base: 1970 = 100)

Nov 12	Nov 11	month ago	year ago
205.19	208.20	210.56	185.29

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	67.800	+0.125	68.125	67.550	13,669	31,367
Feb	64.925	-0.05	65.250	64.525	6,363	22,443
Apr	66.300	-0.025	66.550	65.975	3,396	15,099
Jun	63.625	-0.125	63.925	63.350	1,073	6,115
Aug	63.000	-0.075	63.150	62.800	1,032	6,794
Oct	65.475	+0.1	66.575	65.275	182	3,956
Total					25,826	86,599

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	57.325	-0.9	58.200	57.250	5,732	11,885
Feb	76.375	-0.4	76.750	75.750	3,574	9,512
Apr	71.225	-0.825	71.950	71.125	763	3,962
Jun	74.925	-0.375	75.150	74.400	450	3,708
Jul	72.050	-0.4	72.300	71.500	181	1,238
Aug	69.100	-0.3	69.250	68.600	59	932
Total					16,820	31,916

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	73.825	-0.275	74.625	71.900	2,068	4,718
Mar	73.800	-0.15	74.250	71.850	87	537
May	74.600	-0.2	75.000	73.100	40	419
Jul	74.750	-0.225	74.850	73.400	41	356
Aug	71.000	-2	71.700	70.500	5	56
Total					2,242	6,086

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Dec	Mar	Dec	Mar
1350	93	132	4	23
1400	54	96	15	38
1450	28	71	37	60

■ COPPER (Grade A) LME	Dec	Mar	Dec	Mar
2050	100	117	33	123
2100	71	96	53	151
2150	48	78	80	182

■ COFFEE LIFFE	Jan	Mar	Jan	Mar
1400	67	56	37	86
1450	40	38	60	118
1500	22	26	92	155

■ COCOA LIFFE	Dec	Mar	Dec	Mar
900	4	39	22	23
925	1	29	44	38
950	1	20	69	54

■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
2200	-	-	-	44
2250	-	-	-	-
2300	15	71	10	87

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel) +or-

Dubai	$21.14-1.16x	+0.395
Brent Blend (dated)	$22.88-2.89	+0.500
Brent Blend (Dec)	$23.33-3.36	+0.500
W.T.I.	$23.84-3.88x	+0.530

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$231-233	
Gas Oil	$225-226	+6
Heavy Fuel Oil	$112-114	
Naphtha	$224-226	+1.5
Jet fuel	$245-247	+3
Diesel	$228-230	+3

■ NATURAL GAS (Pence/therm)

Bacton (Dec)	15.05-5.15	+0.10

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

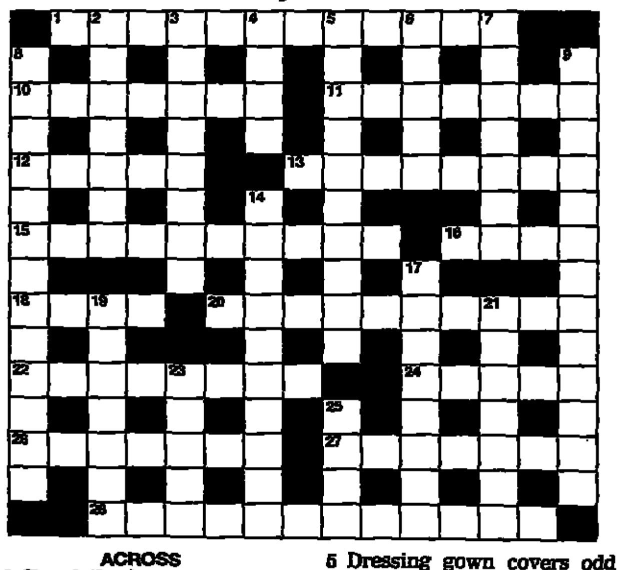
Gold (per troy oz)♣	$383.85	+2.15
Silver (per troy oz)♣	492.50c	+6.00
Platinum (per troy oz.)	$396.75	-1.25
Palladium (per troy oz.)	$118.75	+0.50
Copper	102.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.80r	+0.11
Tin (New York)	279.50	+5.00
Cattle (live weight)	103.42p	+5.07*
Sheep (live weight)	137.81p	+9.48*
Pigs (live weight)†	89.71p	-1.38*
Lon. day sugar (raw)	$259.40	-4.6
Lon. day sugar (wte)	$307.30	-5.4
Barley (Eng. feed)	£100.4	
Maize (US No3 Yellow)	127.0	
Wheat (US Dark North)	Unq	
Rubber (Dec)♥	81.50p	
Rubber (Jan)♥	81.50p	
Rubber (KL RSS No1)	321.0z	-1.0
Coconut Oil (Phil)§	$785.0v	
Palm Oil (Malay.)§	560.0z	+5.0
Copra (Phil)§	Unq	
Soyabeans (US)	168.0z	+2.0
Cotton Outlook'A' index	74.80	
Wooltops (64s Super)	396p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Dec v Nov/Dec z Nov ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 1,390 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,224 Set by HIGHLANDER



ACROSS

1 Tread the boards, performing live in work together (3,2,7)
10 Explore a mathematical relationship with love not far away, so to speak (7)
11 Stage riot against Italian river police (7)
12 Port in Morocco, thanks to boozer, is circulated from right to left (5)
13 Airdrop is an unexpected stroke of luck (8)
15 Being unlikely to slip certainly paid (4-6)
16 Sounded like navy, perhaps? (4)
18 He created the invalid Bunbury part from the musical Gypsy (4)
20 Potentially violent person joins Hitchcock film course (10)
22 Short, clipped and separate lions turned on Roman statesman (8)
24 With support, 5-0. Well done! (5)
26 State elected a girl (7)
27 Are women's clothes on a man a beastly provocation? (1,3,3)
28 Add European group to my operation (12)

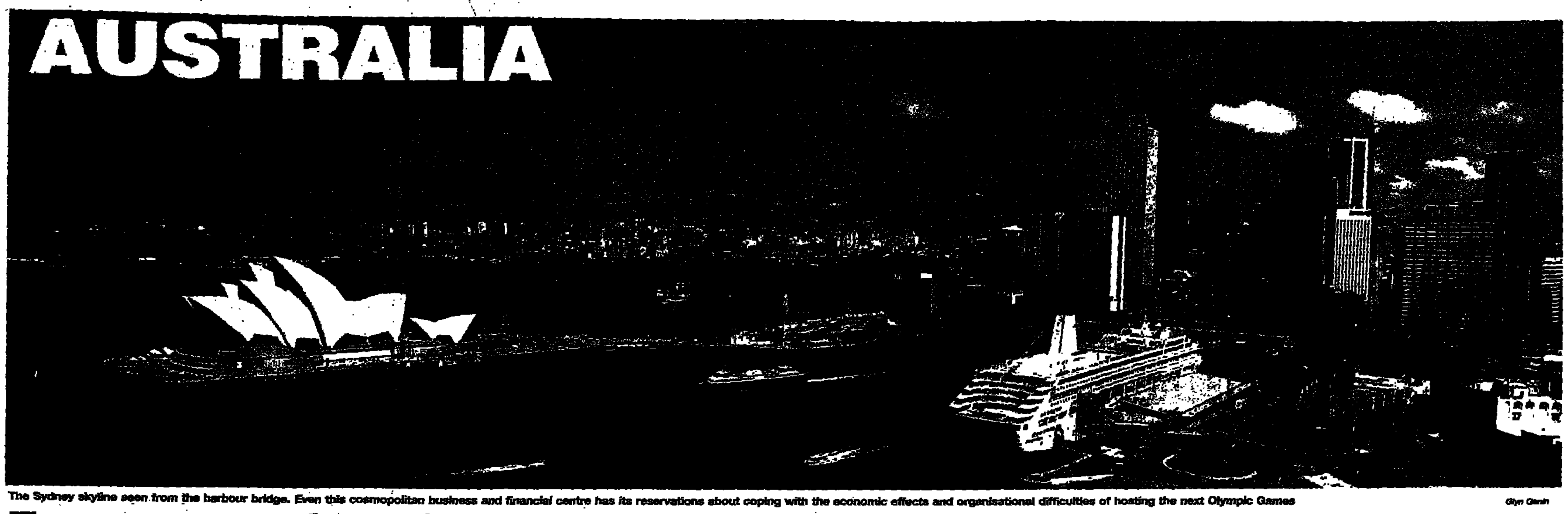
DOWN

2 Severely criticise one's clothing (7)
3 Deny it if it's wrong place (8)
4 Group of motorists goes over parking area to complain (4)
5 Dressing gown covers odd bits of neck - a careless mistake (10)
6 Distribution of seed round America made less difficult (5)
7 Labour are behind, first five are in (7)
8 Proudly displays piece on board, revealing good attitude to games (13)
9 Complete support on most of the untrimmed areas of course (6,7)
14 Lords perhaps have attendants prepare for domestic residence (5-5)
17 "Not out!" protest is not an obstacle (2,6)
19 First-class degree is relative (7)
21 Characters deliberately confused a horse with a sheep (7)
23 Eat like a horse, with cold pork pie to start (5)
25 Cut short family man (4)

Solution 9,224

RECORD CONFETTI
A O E A I R N
REMOVE STAVEOFF
E P O T H E L I
BLACKOUT ISOLDE
I S E M S T L
TEST ABSTRACTED
E G R R R U
RESTRAINED PROA
E A L W M N R
LEGACY REDOLENT
A L I T D R D I
TEETOTAL POROUS
E A U B S U T
DAMASCUS PESTLE

AUSTRALIA



The Sydney skyline seen from the harbour bridge. Even this cosmopolitan business and financial centre has its reservations about coping with the economic effects and organisational difficulties of hosting the next Olympic Games Glyn Genin

In search of a place in the world

Nikki Tait asks whether the government's middle course between swift and slow change can be held

Eight months ago, when the conservative Liberal-National coalition won its first election in 13 years, Mr John Howard promised to govern for all Australians. It was a statesmanlike sentiment on the part of the new prime minister, and many of his countrymen – including those opposed to the coalition's policies – applauded.

Today, almost one-quarter of the way through the government's three-year term, the difficulties inherent in achieving this goal are more obvious. Quite simply, many Australians appear divided over what pace of internal change they would like to see (or are willing to tolerate) as their country battles to find its place in an increasingly competitive global environment.

Australia began to hitch its fortunes to the international economy in the 1980s. It floated the currency, brought down tariff barriers, and deregulated financial markets. As established industries struggled to compete, a process of "micro-economic" reform was also put in place, with the former Labor government pledging to open up sectors like transportation, telecommunications and energy, as well as the labour market.

In addition, links with the Asian region were strenuously pursued – at least partly in the hope that Australia could boost trade with its closest neighbours.

The March election result was, in many ways, a judgment on this strategy. When the electorate tossed out Labor in one of the biggest electoral swings ever seen in Australian politics, it seemed to be saying that the economic results had fallen short. Although ministers could point to four years of unbroken growth, even they conceded that the "feelgood" factor was missing. Opinion polls ahead of March 2 suggested that the economy was the primary concern for most voters.

This dissatisfaction, however, had two distinct roots. The problem for the business community – both small firms and large – was that restructuring had been too slow. Micro-economic reform, in particular, had been prone to slippage. This was blamed partly on Labor's closeness to the union movement: small businesses, for example, complained bitterly about the tougher unfair dismissal laws which had been one of the trade-offs for union support of labour market deregulation.

But for a sizeable, blue-collar portion of the electorate – sometimes termed the "battler" vote – the problem was more one of too much change. Restructuring of the industrial base had left unemployment levels high, prompting some backlash against immigration levels and Labor's aggressive "multiculturism". Privatisation had been pursued despite pledges to the contrary.

Now that it holds office, the coalition government has the difficult task of keeping both these elements on side. To date, Mr Howard's solution has been to move cautiously.

True, the coalition's first budget was austere. It paved the way for spending cuts of A$4.45bn in the current year, and A$7.2bn in 1997-98, in a quest to achieve a fiscal surplus by 1998-99. Financial markets applauded: the differential between Australian and US bond yields dropped to under 100 basis points compared with over 250 basis points earlier this year. But the savings were secured largely from employment programmes, higher education fees, and the public service. High-income earners were also stung by increased taxes for superannuation, luxury car leases and healthcare. "Middle Australia", by contrast, was relatively well-protected, enjoying tax cuts and health rebates which, if not large, at least offset some of the harsher measures. "For most of us," was how one newspaper headline summed up the package's contents.

Immigration levels, too, were cut for 1996-97 shortly after the new government took office. More recently, the "race debate" has resurfaced in virulent fashion with Ms Pauline Hanson, a new independent member of parliament, using her maiden speech to express her opposition to Asian immigration and the level of aboriginal welfare.

Again, the prime minister has repeatedly declined to criticise her, although he did stress a commitment to a non-discriminatory immigration policy. Only when the issue was picked up by the Asian press, and talk of implications for tourism and the sale of educational services became rife, was a bipartisan motion passed in parliament.

Even on the labour market front, the approach has been less than purist. The coalition's plans for reform were toned down going into the election, and have since been amended further to ensure parliamentary support. At the end of the day, the package will allow employers far more freedom than Labor's earlier reforms.

Meanwhile, a few areas of potential reform are off the agenda altogether. On the tax front, there have been attempts to close off loopholes and, more contentiously, clamp down on research and development allowances. But the big issue – whether Australia should switch to much greater dependence on indirect taxation – has been ruled out during the current parliamentary term.

Politically, this approach is hard to fault. By late October, opinion polls had the coalition's primary vote standing at 51 per cent, compared with 47 per cent on election day. Support for Labor, by contrast, had slumped to its lowest level in seven months. A by-election – the first of the new parliament – returned an outer Sydney seat to the coalition candidate by an even larger margin than in March.

One question is whether this middle course can be maintained. Industry is impatient to see more progress on the microeconomic reform front.

Meanwhile, some difficult issues will need to be negotiated in the year ahead.

The domestic car industry, for example, is currently subject to a review by the Productivity Commission, one of the economically "dry" government agencies. At stake is the question of tariffs, which have been falling more slowly on cars, after 2000. Already, some manufacturers have seized the chance to lobby for a freeze of the existing tariff reduction programme – a move which may test the government's "free trade" credentials.

Similarly, a review of the financial services industry is also underway. This is likely to determine how the sector should be allowed to restructure – in particular, whether the larger banks and insurance companies should be permitted to merge, and the traditional demarcation lines erased.

The economy, meanwhile, appears to be flagging. Although the June quarter national accounts showed growth running at a seemingly healthy 4.5 per cent year-on-year, growth in the June quarter alone was only 0.1 per cent.

Since then, a wealth of data – from retail sales to unemployment figures – has suggested that the environment remains sluggish.

With inflation no longer a threat, the response has been two interest rate cuts – one in late July and the second this month. The hope is that investment and consumer confidence will pick up again, allowing budget forecasts of 3.5 per cent growth in 1996-97 to be met.

But even the Reserve Bank has noted the two-tier nature of the economy at present. "Although . . . forecasts of overall profits are positive, there is a widespread perception that profits are poor. In part, this reflects the different sectoral performances: manufacturing is going through a lean period, in which services, particularly finance, are performing strongly," it said in its last quarterly economic report.

In the end, the biggest question is whether Australia can afford to pace changes to suit its own domestic agenda. As if to illustrate this, earlier this month, a private sector report commissioned by the industry department highlighted the extent to which Australia was losing out to Singapore and Hong Kong in the financial markets area.

■ **Politics:** by Nikki Tait

Measured beginning

Foreign and trade policy will continue along lines similar to Labor's

Three weeks ago, voters in western Sydney got the first chance to deliver a ballot-box verdict on Australia's new conservative federal government. A by-election, the first since the March 2 federal election, was called in the once-safe Labor seat of Lindsay. The result was resoundingly supportive of the new administration: the Liberal-National coalition's candidate was returned with a favourable swing of 4.7 per cent – on top of the 11.5 per cent which she enjoyed in the election.

Whilst there were some special factors at work, few commentators took issue with the conclusion drawn by Mr John Howard, Australia's prime minister.

Voters, he said, were simply confirming the desire for change which they had expressed in March when they ended 13 years of Labor rule with one of the biggest electoral swings in Australia's political history. "We didn't make a mistake, we wanted a change, ... and if after two or three years we don't like what [the new government is] doing, we'll do the same thing to them as we did to the other mob" was how he summed up Lindsay's message.

A change is certainly what Mr Howard is delivering – although not always in the pro-active sense. Gone is the adventurous style of the former Keating government, with its outspoken social policy objectives and high-profile quest for "engagement" with Asia. Instead, the first six months have been low-key and in line with a middle-of-the-road election manifesto.

The chief policy moves, for example, have involved the introduction of two bills outlined in the campaign – an industrial relations reform package, which has now been slightly modified to ensure parliamentary support, and the still-contentious partial privatisation of Telstra, the telecommunications giant.

An August budget was convincingly sterner than anything Labor had offered, and aims to move Australia to fiscal surplus by 1998-99.

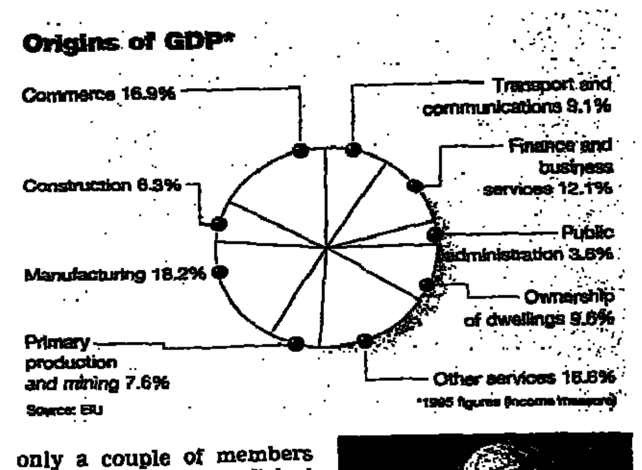
In pursuit of this objective, Labor's labour market programmes will be largely unwound, higher education charges raised, and the public service cut back. But even this package was somewhat less austere than originally outlined, with the balanced budget target being achieved over three years rather than two.

Perhaps the only real surprise was the push for tougher, uniform state gun laws in the wake of the Port Arthur shootings – an initiative made difficult by deep-seated state-federal government sensitivities and driven largely by the prime minister himself.

In part, this start appears to stem from a conscious reading of opinion polls. The Australian electorate is extremely conservative. The Keating government's desire to push through a fairly radical agenda on the social-cum-constitutional front – native title rights, for example, or the embryonic debate on the cutting of ties to the British monarchy – was arguably a big factor in its downfall.

Mr Howard's election strategy was to make the coalition as small a target as possible, and minimise the degree of upheaval promised. "Relaxed and comfortable" is how he famously described his view of Australia to one interviewer.

Lack of ministerial experience may be a second reason for the cautious start. This was a predictable hazard for the new government, given that the coalition had been out of office for 13 years, and only a couple of members (aside from Mr Howard) had any ministerial experience.



The third factor is more technical. Despite the large election victory, Mr Howard did not end up by controlling the Senate, parliament's upper house, which works on a state-based, proportional representation system. If Labor opposes government measures in the Senate, the coalition needs two votes from the minor parties – the Greens or the Australian Democrats – or from the two independents to ensure that its measures pass.

At one stage, it looked as if Senate obduracy would lead to a "double dissolution" (when both houses are dissolved simultaneously and fresh elections called). This possibility has not disappeared. However, successful negotiations have been held with the Australian Democrats to ensure that the industrial relations package passes, and there is at least a chance that the Telstra bill will win backing from the two independents. That would leave certain budget measures and proposed changes to the Native Title Act as the main bones of contention.

But the foreign policy reception is more ambiguous. According to ministers, foreign and trade policy will continue on similar lines to those espoused by Labor. Engagement with Asia is given top priority, although the caveat is now usually added that this need not be at the expenses of older ties.

For the moment, though, many Asian countries seem to be politely suspending judgement, waiting to see whether rhetoric and action match up. The axeing of a soft loan aid scheme raised some concerns; conversely, the concentration of ministerial visits on the region has been taken as a plus.


John Howard: remains mindful of the voters' message

On the trade front, the commitment to free trade has been reaffirmed – although the industry lobby has quietly stepped up pleas for a more "pragmatic" and flexible approach. Here, the test may come over the local car industry, which has, to date, enjoyed a slower reduction in tariff protection than most industrial sectors. The issue is currently being considered by the Productivity Commission, the government agency.

If the coalition has been feeling its way into government, Labor has had even bigger problems coping with the transition to opposition. Former ministers publicly mourn the loss of power – with Mr Gareth Evans, the former foreign minister, talking frankly of a sense of impotence and irrelevance.

■ **Superannuation industry:** by Bethan Hutton

Lasting state of flux

As priorities change, a period of stability is needed for study of the options

Australia's retirement planning industry has been in a state of constant flux for several years now, and there is no sign of any end to that under the new government.

The superannuation industry is still waiting to see exactly what the Howard government's retirement incomes policy will be, but it was given a few tasters in the first budget in August: a surcharge on superannuation contributions by higher earners; the introduction of Retirement Savings Accounts; and a promise to review the tax cuts promised by the previous government, due to be delivered in the form of matching superannuation contributions for lower earners.

Superannuation funds under management had been set to grow exponentially with the Labor government's plans for increasing compulsory contributions by employees and employers. Funds were projected to grow from A$250bn today to A$600bn by 2003, and around A$2,000bn by 2020.

"The growth of funds is probably not going to be as rapid as had been anticipated, but there is still significant growth," says Mr Kevin Casey, manager for compliance and legislation at AMP Superannuation.

The general emphasis seems to be shifting from promoting compulsory superannuation schemes, in order to ensure a satisfactory retirement income for almost all workers, towards giving individuals more choice in what they do with their savings.

The new government got off to a bad start with the superannuation industry by introducing the 15 per cent superannuation surcharge for high earners (defined as starting from A$70,000 to A$85,000 per annum).

The industry is annoyed not so much at the fact the surcharge was introduced but because the government did not consult it over the collection system, which, the big life companies say, is unnecessarily complicated and costly. Discussions are continuing on that point, but the government shows no signs of backing down.

Another innovation in the budget was greeted more warmly: the introduction of Retirement Savings Accounts (RSAs), a new form of superannuation to be offered by banks, building societies, credit unions and life offices.

They will not have a trust structure, unlike existing forms of superannuation, but must have a capital guarantee. The concept of RSAs has been welcomed by the banks, but the life offices have been more muted: RSAs will be suitable for people nearing retirement, who need low risk investment options, or for low income earners with only small amounts to invest, they say, but consumers must be made aware of the difference between RSAs and conventional superannuation funds, which can offer higher returns over the long term.

Australia suffers from two problems familiar to many developed countries: an ageing population which has grown up to believe that if it pays its taxes, the government will provide for it in old age, and a generally low voluntary savings rate.

Some elements of the traditional superannuation system contributed to this: employees leaving a company used to be given immediate access to their superannuation contributions, even if they were not retiring. What were intended to be long-term savings were thus often used to tide people over periods of unemployment, or pay off mortgages and other debts.

This problem has been tackled, but one related area which successive governments have so far seemed reluctant to deal with, however, is the habit of taking superannuation proceeds as a lump sum, rather than a regular pension.

This can mean that the lump sum is used to pay off a mortgage and the retired person later claims state benefits. This may be too sensitive an issue for the new government to tackle immediately, but it does require attention.

There is also the question of where the growing pools of money should be invested. Unlike the UK and many other countries, there are few restrictions on investment. This freedom could mean that more money can be expected to go overseas, or into high-risk, high-return instruments.

The government will be hoping that the money stays closer to home, being funnelled into infrastructure projects: there is no shortage of plans for airports, roads and Olympic developments which will require financing. The growth of funds could also promote the development of new types of investment instrument, such as Kangaroo bonds: Australian-dollar bonds issued by overseas entities.

Under the Labor government, unions had considerable influence over the investment destinations of large portions of superannuation funds. That influence is set to be gradually eroded under the new government, with more choice given to individual investors. Some industry observers are warning, however, that unless there is greater consumer education on investment matters, freedom to choose could lead to poor investment decisions.

The Australian superannuation system is far from perfect, but if you ask someone in the industry what development would be most welcome, the answer could be surprising: a period of stability, so that all the changes to date can be assimilated, consumers can begin to understand their superannuation options, and providers can get their costs under control.

■ **Telecommunications:** by Bethan Hutton

Rough path to follow

New entrants are likely to be carriers in name only, reselling existing capacity

The next year should bring the last big step in the deregulation of the Australian telecommunications market. It may also bring the stock market flotation of Australia's two largest companies in that sector.

The road to deregulation and market listing is proving to be anything but smooth. The date set for full opening of the market – July 1 1997 – was decided more than two years ago, by the previous Labor government, but the change of government has delayed the legislation. As the date approaches, it is looking increasingly doubtful that the new conservative coalition will get the relevant legislation through parliament in time.

The official line is still that a market opening bill will be passed before Christmas, but it has not yet been introduced, and the government has a serious parliamentary backlog, including vital budget measures. Some pessimistic voices are now predicting that the legislation may not be passed until around March next year.

At the moment, there are only two licensed full-service telecommunications carriers: Telstra, the government-owned former monopoly, and Optus Communications, the newcomer, which entered the market in 1992.

The latter has spent the last four years building up its market share in long-distance and mobile telephone markets, and investing heavily in its own national infrastructure. It started offering local calls in June this year, using the cable network of Optus Vision, a cable TV company in which it has a 46.5 per cent stake. Subscriber numbers are still low, and limited to the areas covered by the Optus Vision network, but the number of potential users is growing steadily.

From July 1997, the market will be thrown open to all comers. Barriers to becoming a carrier will be minimal: the infrastructure requirement will be as little as 500m of line, according to government discussion documents. This could mean that some large companies and utilities with extensive private infrastructure could find themselves unwillingly categorised as telecommunications carriers. The status carries responsibilities such as contributing to the cost of universal service provision (quite considerable in a country with many isolated farms) and the industry's regulatory body.

It is unlikely that any new entrant will aim to set up an interstate infrastructure to rival Telstra and Optus, not only for cost reasons, but also because obtaining planning consent will become much more difficult next year. Optus has been able to roll out its network without obtaining permission from each local authority along the route, but in future companies will have to do that.

Mr Paddy Costanzo, policy manager at Optus Communications, says: "What that will tend to produce is carriers who are carriers in name only, relying on competition between Optus and Telstra to get the best deal. I am pretty sure you will not see another Optus-type carrier."

Instead, newcomers are expected to concentrate on reselling Telstra and Optus' capacity, and possibly building small amounts of infrastructure for specific market segments. They are most likely to emerge as niche providers for businesses and large organisations such as local governments, or low-cost local service providers for retail consumers.

Not all the companies exploiting new opportunities after 1997 will be entirely new entrants. British Telecom, for example, has already been active in the Australian market for almost a decade, mainly providing specialised services to multinational companies.

It recently pulled out of the resale market – buying bulk capacity from existing carriers and selling it on to consumers – but has yet to announce its post-1997 strategy. AAP Communications, a local venture, has been active in the resale market and is well-placed to tap the new market opportunities.

Although telecommunications is one of Australia's fastest-growing industries, most investors have had no access to that market sector. That is set to change, with floats planned for both Telstra and Optus Communications – but investors are not holding their breath.

The new government is having difficulty carrying out its manifesto commitment to the partial privatisation of Telstra. It wants to sell off one-third of Telstra, and had hoped to gain broad support for this by pledging A$1bn of the proceeds to an environmental fund.

This has not convinced the minority Green and Democrat parties, which hold the balance of power in the Senate. The Telstra bill has been delayed by referral to a parliamentary committee, and even if the government succeeds in pushing the measures through, action is unlikely until well into next year.

Optus Communications also announced its intention of seeking a stock market listing earlier this year, but since then it too has run into difficulties. The float, which had been expected towards the end of this year, may now be delayed because of a legal dispute with Channel Seven, a television company, over Optus Vision. There may also be problems with the Foreign Investment Review Board, as a float would be bound to attract more overseas investors.

■ Mineral resources: by Bruce Jacques

Boom's bad resonance

Major plans for expansion could be held up by patchy financial performances

The boom word is being used again about the Australian resources industry. And it is making most of the big corporate participants nervous. They remember well the run of play in the 1970s when the phrase "resources boom" became a political byword.

What ensued was a kind of boom – but in spending, not earning. Governments and organised labour staked their claim on industry proceeds long before a wave of expansion spending yielded returns. The result was a syndrome accurately dubbed "profitless prosperity" for the industry's investors.

The influential private economic research group Access Economics has identified up to A$60bn-worth of resources projects already well into the planning stages, with about 25 projects worth more than A$20bn due for commitment in the next year. Western Australia has emerged as the national resources "hot spot", accounting for more than half of the likely near-term expenditure.

Many of these projects have been mooted for some years, but have become imminent through a combination of factors such as sustained low domestic inflation, falling interest rates and commitments from customers in fast-growing Asia-Pacific economies. How many of them go ahead – and who will enjoy the proceeds – depends on a raft of unresolved issues overhanging the industry. Environmental concerns are ever-present, and resources companies continue to press for changes to Native Title legislation which has institutionalised lengthy negotiating processes with indigenous populations.

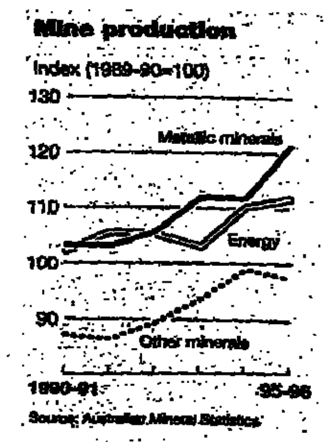
Labour relations have also entered a difficult period, with industry leader RTZ-CRA in the forefront, supported by the federal government, to scrap the trade union-based award system with individual contracts.

A fundamental difference with the new "boom" is that many of the current projects will involve significant increases in the domestic processing of Australian minerals – a strategic shift that will help to reduce the industry's reliance on basic commodity prices and blunt long-standing accusations of a basic "dig it up and ship it out" mentality.

Yet the resources industry faces a dichotomy. These large-scale expansion plans are being considered against the background of a patchy financial performance in the latest year. The metals sector has remained generally weak, with a mid-year rally in prices proving short-lived.

Copper has been the difficult metal for Australia, casting a long shadow over corporate performance because of its effect on the country's leading resource group, BHP. The company's profits have been severely curtailed by an ill-timed A$3.2bn move into the big league of world copper producers with the takeover of US-based Magma Copper. The Australian government's commodities research arm, ABARE, is forecasting a further 7 per cent decline in world copper prices in 1997 following a decline of almost 25 per cent in 1996 as effects continue to flow from the Sumitomo trading scandal. And ABARE has revealed a masterpiece of mistiming by Australian companies which are set to follow a 28 per cent increase in copper mine production in 1995-6 with another 9 per cent rise in the current year. The result forecast is a 10 per cent increase in Australia's copper export revenue in 1996-97, but much of the business is likely to be done at a loss.

ABARE is also forecasting growth in iron ore exports, but a year of consolidation for gold, although it will remain clearly Australia's second biggest mineral export, worth almost A$5.5bn. Further growth is also predicted for the country's largest mineral export, coal, with receipts exceeding A$8bn for the first time.



But coal's growth is likely to be outpaced by the two recent stars of the Australian energy sector – petroleum and uranium. The petroleum sector looks like accounting for a large chunk of planned resource spending with the announcement that partners in the North West Shelf project, off the West Australian coast, are close to committing around A$6bn to a near-doubling of LNG export capacity.

The shelf – already Australia's biggest resource project – involves some of the world's biggest energy groups including Shell, British Petroleum, Chevron, Mitsui, Mitsubishi and BHP. The chief local partner is Woodside Petroleum, 34 per cent controlled by Shell.

In uranium, at least three new developments costing more than A$500m look likely in the next few years, with reserves earmarked for perhaps a dozen more projects if markets permit in the next century.

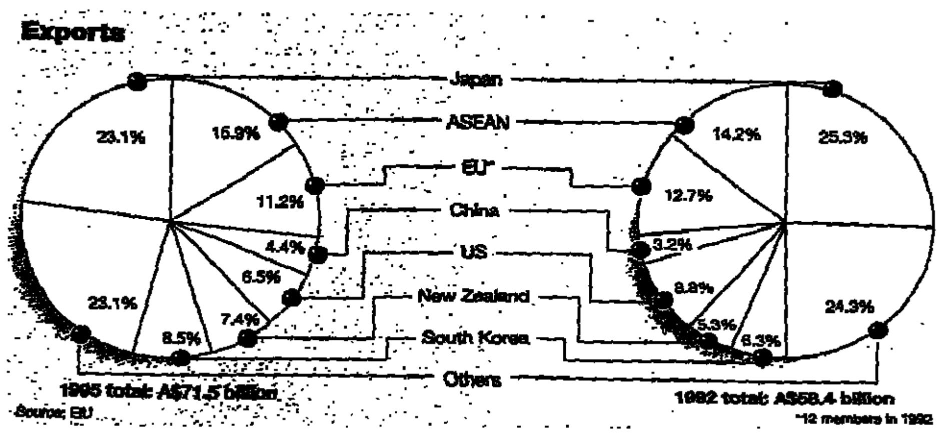
ERA, which already produces about 6 per cent of the Western World's uranium from its Ranger mine in the Northern Territory, has plans to double output through development of the nearby Jabiluka mine. Companies including Western Mining, RTZ-CRA, Denison and Cogema also have new mines or expansion plans that could be speeded up to take advantage of rising market prices.

ABARE is forecasting a further 17 per cent rise in uranium exports to about A$310m in 1997 following a 30 per cent rise in the current year. It is also forecasting a rise of almost 20 per cent to about A$2bn for Australian petroleum exports next year. That would comprise a big component of a predicted 7 per cent rise to A$37bn in total 1996-97 minerals and energy exports.

■ Economy: by Nikki Tait

Transforming policy by stealth

The social and economic effects of the budget are under serious scrutiny



To some, it is economic rationalism by stealth. To others, it is the bare minimum required to remove the growth constraints on Australia's business sector. What no one disputes is that economic policy in Australia has undergone a significant shift following the change in government on March 2.

The extent of this change was confirmed in late August when Mr Peter Costello, the new federal treasurer, handed down the first Liberal-National government budget for 14 years. In it, he laid out a range of cost-cutting measures and tax concession eliminations, designed to move the government's finances from a deficit of A$10.3bn in 1995-96 to a A$1.2bn surplus by 1998-99.

A similar balanced budget target had been avowed by the former Labor administration. But Labor's efforts to close the gap were hampered by its social policy objectives – in particular, a conviction that direct intervention in the labour market was necessary to tackle unemployment, which has remained at over eight per cent since the last recession.

The new government, whose conservative ideological bent allows it to put more reliance on market mechanisms, faced fewer constraints. The August budget, for example, largely dismantled Labor's "Working Nation" labour market programmes in the quest for expenditure reductions. Spending in this area is due to fall by about A$1.7bn over the next four years.

It also paved the way for a pruning of the public service, and sharply reduced federal grants to the state governments. Higher education charges were raised and higher-income earners threatened with an additional health service levy if they failed to take out private health insurance.

Few expect the coalition's medicine to end here. Already, Mr Costello has talked of renewed emphasis on microeconomic reform. An industrial relations bill, which would extend labour market deregulation considerably further than Labor's own reforms, is also moving (with difficulty) through parliament. Shipping/waterfront reform has been flagged, and ministers have already reviewed New Zealand's progress in this area.

The business sector, meanwhile, would dearly love to see a large measure of tax reform. Unusually among developed economies, Australia has no general consumption tax, and thus relies heavily on income taxes to raise revenues. The idea of a "goods and services tax" formed part of the coalition's 1993 election pitch, although the electorate's aversion to this was widely viewed as a reason for Labor's return.

The rationale for all these moves – budgetary balance, microeconomic reform, even the possible shift to more indirect taxation – is fairly simple. Since the early 1970s, Australia has been dogged by two economic bogeys: high inflation and a tendency to run large current account deficits. In recent times, too, its household savings ratio has slumped to extremely low levels.

The inflation threat has receded during the past five years. But Australia's propensity to suck in imports – both capital and physical goods – when economic growth is strong remains problematic.

The danger was last demonstrated in 1994 when the growth rate topped five per cent and the current account deficit for 1994-95 surged to around six per cent of GDP. The official "cash" rate was raised from 4.75 per cent to 7.5 per cent and remained at this level for 18 months.

By running a balanced federal budget – or, better still, a surplus – the government would stop compounding the shortage of private sector savings. A GST might also help to curtail private sector consumption demand. Meanwhile, a sharper pace of microeconomic reform should boost international competitiveness and aid the export sector.

Against this background, a big debate continues over the detail of the appropriate pace of economic change.

The business sector and financial markets would like this to be rapid. On budget day itself, there was some disappointment that the coalition's original deficit reduction targets – which would have moved to a balanced budget by 1997-98 – had been undershot.

More recently, Mr Jerry Ellis, chairman-designate of BHP, Australia's largest company, has stressed the need for urgency. "Federal and state governments have an enormous way to go to remove impediments to world-class economic and social performance," he told a business forum in Canberra last month.

By contrast, the government's opponents argue that cost-cutting has already been pushed to a point where it is not only socially unacceptable, but could even tilt the economy towards recession. For example, the Australian Democrats, the largest of the minor parties holding the balance of power in parliament's upper house, think that cuts of A$4bn-A$5bn over two to three years would be wiser.

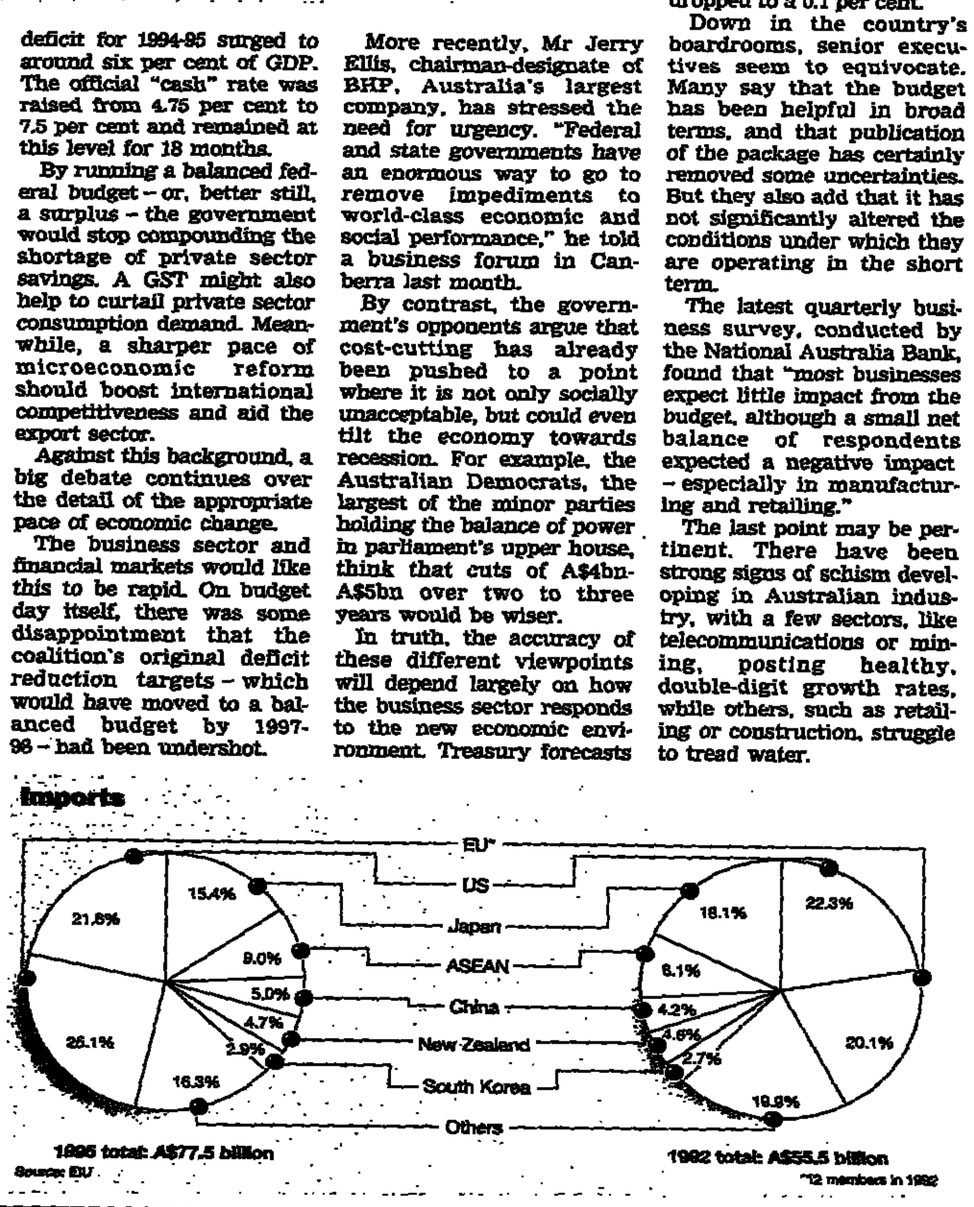
In truth, the accuracy of these different viewpoints will depend largely on how the business sector responds to the new economic environment. Treasury forecasts suggest that the economy will grow at around 3.5 per cent in 1996-97, although they also predict that the current account deficit will remain at about A$20bn (or four per cent of GDP) and unemployment at an ugly 8.25 per cent.

But that sort of growth rate is towards the optimistic end of private sector predictions, and assumes a 14 per cent increase in private investment levels. Pessimists, by contrast, note that the economic growth rate in the June quarter alone dropped to a 0.1 per cent.

Down in the country's boardrooms, senior executives seem to equivocate. Many say that the budget has been helpful in broad terms, and that publication of the package has certainly removed some uncertainties. But they also add that it has not significantly altered the conditions under which they are operating in the short term.

The latest quarterly business survey, conducted by the National Australia Bank, found that "most businesses expect little impact from the budget, although a small net balance of respondents expected a negative impact – especially in manufacturing and retailing."

The last point may be pertinent. There have been strong signs of schism developing in Australian industry, with a few sectors, like telecommunications or mining, posting healthy, double-digit growth rates, while others, such as retailing or construction, struggle to tread water.



■ Banking: by Bethan Hutton

Interesting times ahead

The Wallis report could speed up far-reaching changes already under way

The Australian banking sector could have an interesting year ahead A government review of the financial system, combined with the pressures of domestic competition and globalisation, could lead to substantial consolidation and restructuring among the main participants.

Australian banks have already undergone several bouts of deregulation over the last 15 years, but Australia remains overbanked by international standards, and its banks have been insulated from the wave of international banking mergers and acquisitions. These characteristics are set to change.

One of the first acts of the coalition government, elected in March, was to announce an inquiry into the financial system, to be chaired by Mr Stan Wallis, former managing director of the paper company Amcor.

The Wallis Inquiry has taken submissions from all sides: the banks, other financial institutions, industry and consumer organisations, regulatory bodies and interested individuals. It issues a discussion paper later this month, and holds public hearings before it is due to report in March 1997.

The brief is to take stock of financial regulation, establish a coherent regulatory framework for overlapping financial products, and find ways of dealing with financial and technological innovation, with the aim of ensuring that the financial system and regulatory framework remain internationally competitive in changing conditions.

One current feature of the Australian financial landscape seen as almost certain to disappear as a result of the Wallis inquiry is the "six pillars policy", a legacy of the former Labor government. The "six pillars" concept refers to the four biggest banks and two main life companies – National Australia Bank (NAB), Australia and New Zealand Banking Group (ANZ), Westpac Banking Corp, Commonwealth Bank of Australia, National Mutual and the AMP Society – which are banned from merging with each other, in a policy aimed at preserving competition."

Mr Wallis has said he will consider this, and will also review the remaining restrictions on foreign ownership and competition.

All six pillars, in their submissions, have argued for an end to the policy, but several smaller firms, which could be threatened by the creation of large bancassurance groups, have argued against it.

The stockmarket has already been enlivened by frequent rumours of bank takeovers, ahead of a relaxation of the rules. One of the most recent was speculation that NAB was preparing for an assault on WestPac. Potential foreign buyers are also rumoured to be lining up for several of the big four banks, such as supposed interest in ANZ on the part of Standard Chartered.

Meanwhile, the market is already changing within the constraints of the six pillars policy. Consolidation is taking place among the smaller regional banks and insurance companies, such as the takeover of State Bank by Colonial Mutual, and the takeover bid by St George Bank for Advance Bank.

St George has been seeking takeover targets for some time, in what could be interpreted as an effort to protect itself from takeover: the likely predator is National Australia Bank, which still holds a strategic stake in St George.

More ambitious is the proposed four-way merger of Metway Bank, Suncorp (an insurance group), the Queensland Industry Development Corp, and Bank of Queensland to create one of the country's largest financial institutions. The plan, devised by the Queensland state government, was immediately dubbed "Queensland Inc" by market commentators. The Bank of Queensland, however, is so far refusing to co-operate, and three members of the Suncorp board have resigned in protest.

The future shape of Australia's regulatory framework is another key issue for the Wallis inquiry. Views on regulation submitted to the inquiry are widely varied. National Mutual and NAB, together with the treasurer, Mr Peter Costello, have come out in support of one mega-regulator to govern the whole financial system, in place of the current array of authorities. Others, such as the Commonwealth Bank, Westpac and ANZ have argued for more moderate reform, amounting to a streamlining and reorganisation on more logical lines of the current system.

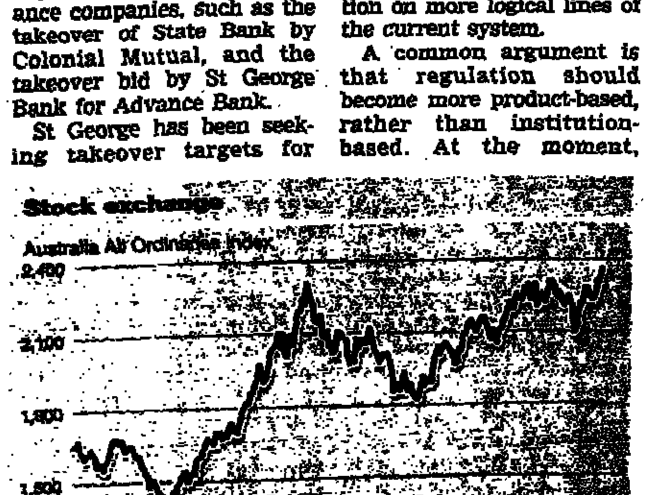
A common argument is that regulation should become more product-based, rather than institution-based. At the moment, banks, insurers, credit unions and other institutions can offer products with broadly similar functions, but governed by completely different regulations depending on who is offering them. This is confusing for consumers, and distorts the market from the institutions' point of view.

Australians have traditionally been early to adopt new technology, from microwaves and VCRs to home computers and Eftpos (Electronic Fund Transfer at Point Of Sale, better known as debit cards in the UK).

The uptake of various forms of electronic banking has been fairly rapid, but Australia has not yet experienced the level of branch closures which might be expected in the shift away from face-to-face transactions. Branch closure programmes are now under way at all the main banks, but post-Wallis mergers would greatly accelerate that process.

Another global trend now hitting the Australian market is new competition from non-bank providers of financial services, such as mortgages and credit cards. Mr Don Argus, NAB managing director, has spoken of the threat of "the financial industry equivalent of 'a death of a thousand cuts' as we see important segments of our core businesses whittled away by niche service providers." A good example is the recent mortgage price war between banks, traditionally the main mortgage lenders in Australia, and the new generation of specialist home loan providers created by the introduction of mortgage securitisation. The large banks' returns on equity have been spectacularly high – ranging from 14 to 18 per cent – but the Reserve Bank has warned that the impact of the mortgage war will mean lower returns for this financial year.

The banks are fighting back with further cost-cutting, and an emphasis on quality and breadth of service. And by this time next year, the battlefield could look completely different.



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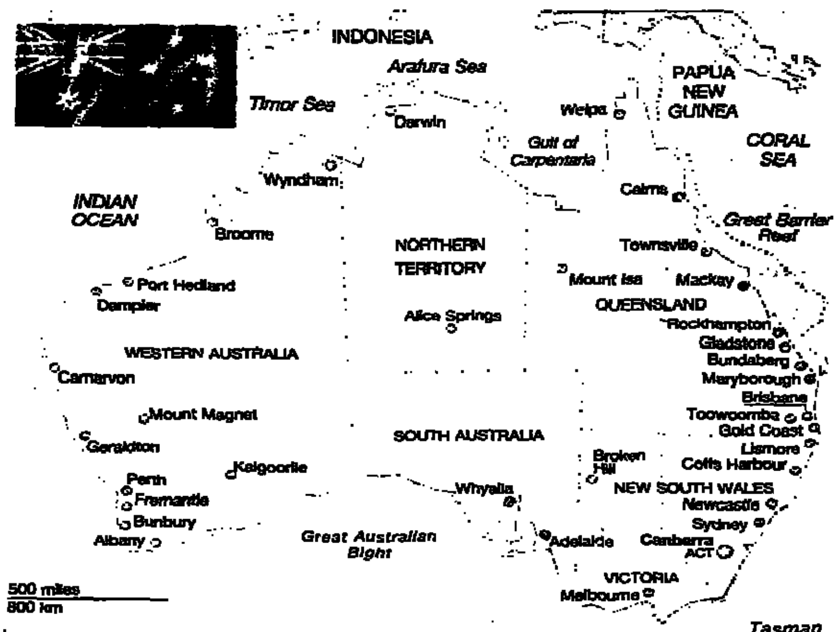


- Area: 7.68m sq km
- Currency: Australian Dollar (A$); 1995 average 1US$=A$1.35; Nov 6 1996 1US$=A$1.2618
- Population: 18.2m (1995)

Main cities/towns & population (1993):
Canberra (capital) 298,000

Sydney	3.4m	Gold Coast	285,553
Melbourne	2.9m	Hobart	183,550
Brisbane	1.3m	Townsville	114,094
Perth	1.2m	Cairns	83,381
Adelaide	1.0m	Darwin	73,300

Economic summary

	1994	1995
Total GDP (A$bn)	-	347.4
Real GDP growth (annual % change)	2.8 a	3.0
GDP per head (A$)	-	19,240
Consumer price inflation (annual % change)	2.5 a	4.6
Reserves, excluding gold (A$bn)	11.3	11.6
Total foreign debt ($bn)	163.4	171.9
Exports (A$bn)	48.9	52.5
Imports (A$bn)	50.1	57.0
Balance of trade (A$bn)	-3.2	-4.5
Current account balance (A$bn)	-17.5	-19.8
Wool ('000 tonnes)	726.6	615.6
Cattle and calves (m)	8.2 b	8.1 c
Sheep and lambs (m)	32.6 b	30.4 c
Black coal ('000 tonnes)	237.2 c	244.8 d
Brown coal ('000 tonnes)	50.8 c	51.3 d

a 1991-95 figures b 1993-94 figures c 1994-95 figures d 1995-96 provisional figures

The Commonwealth of Australia is a democratic federal state within the British Commonwealth. Executive power is vested in the governor-general, who represents the Queen.

The legislature consists of a federal parliament comprising a 76-member Senate and a 148-member House of Representatives.

The senate is directly elected by proportional representation for a six-year term, one half of the Senate retiring every three years. House of Representative elections are held at maximum intervals of three years, when half the senators and all the representatives are elected by compulsory ballot.

The cabinet is headed by a prime minister appointed by the governor-general on the basis of party strength in the House of Representatives. There is currently a Liberal/National Party coalition majority government.

Main political parties: Liberal Party, Labor Party, National Party, Australian Democrats Party.

Each of the six states in the federation has its own government, with a governor and a bicameral legislature, apart from Queensland, which has an unicameral legislature.

Last election: March 2 1996
Next election due: by end-May 1999

Prime Minister: John Howard

Ministers

Tim Fischer - Deputy prime minister/trade
Richard Alston (Communications, Arts), **Ian McLachlan** (Defence), **Amanda Vanstone** (Employment, Education, Training), **Robert Hill** (Environment, leader of the Senate), **John Fahey** (Finance), **Alexander Downer** (Foreign Affairs), **Michael Wooldridge** (Health, Family Services), **Peter Reith** (Industrial Relations, leader of the House), **John Moore** (Industry, Science, Tourism), **John Anderson** (Primary Industries, Energy), **Jocelyn Newman** (Social Security), **John Sharp** (Transport, Regional Development), **Peter Costello** (Treasury), **Bernie Fraser** (Reserve Bank Governor)

Taxation

The basic corporate tax rate was raised from 33% to 36% in July 1995. Personal income taxes are progressive. The maximum marginal rate on annual incomes over A$50,000 was cut from 49% to 48% on January 1 1990, and to 47% on January 1 1991. Rates for medium-income earners were reduced from November 1 1993.

Legal system

Judicial power is vested in the High Court. Parliament has in addition created the Federal Court and the Family Court to deal with specialised areas of federal law. All states and the Northern Territory have their own system of courts, with supreme courts and magistrates' courts, which are vested with federal jurisdiction in some areas.

International organisations

AIOEC, ANZUS, APEC, Asian Development Bank (ADB), ATPC, CCC, Colombo Plan (CP), Commonwealth, DAC, ELDO, ESCAP, GATT, FAO, IAEA, IATP, IBA, ICAC, ICAO, ICO, IDA, IDF, IEA, IFAD, IFC, IHO, IJO, ILO, IMF, International Grain Council, International Lead Zinc Study Group, INRO, INTELSAT, INTERPOL, IOOC, IPU, IRC, ISO, ITC, ITTO, ITU, International Whaling Commission, IWS, OECD, South Pacific Agreement on Regional Trade and Economic Co-operation, South Pacific Commission, South Pacific Forum, UN, UNESCO, UPU, WHO, WIPO, WMO, World Bank, WSE, WTO.

Business

Health precautions

Mandatory: vaccination certificates for yellow fever or cholera if travelling from an infected area.

Credit cards

Major international credit cards can be used for a wide range of goods and services in city and resort areas, but use may be restricted elsewhere.

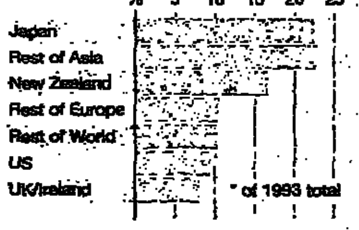
Car hire

Hire cars are widely available. Current overseas licences are recognised, but International Drivers Permits are recommended. The required third-party insurance is normally included in car hire charge. Use of seat belts is compulsory and speed limit in towns is generally 60km/h. Driving is on the left-hand side of the road. Trams have right of way.

Public holidays

In addition to official public holidays observed throughout Australia, extra statutory holidays are observed in individual states and the ACT: Jan 1 (New Year's Day), April 25 (Anzac Day), May 6 (May Day), December 25-26 (Christmas)

Tourism (overseas visitors)*



Working hours

Late night shopping (to 2100) in Sydney, Perth and Darwin on Thursday and in Melbourne, Brisbane, Hobart and Canberra on Friday.
Government and business: (Mon-Fri) 0900-1700
Banking: (Mon-Thurs) 0930-1600 (Fri) 0930-1700.
Shops: (Mon-Fri) 0900-1700 (Sat) 0900-1200

Telecommunications

Telephone: Dialling code for Australia, IDD access code + 61 followed by area code (8 for Adelaide, 7 for Brisbane, 62 for Canberra, 89 for Darwin, 02 for Hobart, 3 for Melbourne, 9 for Perth, 2 for Sydney, 77 for Townsville) followed by subscriber's number.

Diplomatic commercial contacts

Australian-German Chamber of Commerce: tel 612 9281 4184, fax 612 9267 3807; Britain: tel 612 9247 7521, fax 612 9233 1826; Canada: tel 612 9364 3000, fax 612 9364 3098; France: tel 612 9264 2711, fax 612 9264 5989; Italy: tel 612 9392 7942, fax 612 252 4830; Japan: tel 612 9241 1181, fax 612 9251 7831; US: tel 612 9373 9200, fax 612 9221 0576

Entry requirements

Passport: required by all.
Visa: Visas must be obtained before arrival by all except holders of Australian and New Zealand passports. Short-term visitors' visas may be obtained for stays up to six months.

Customs

Personal effects are allowed duty-free. Strict quarantine regulations make it inadvisable to carry food, animals or plants.

Sources: EIU; Joint Coal Board; Queensland Coal Board

■ Aviation: by Bruce Jacques

New flight pattern

Changes in company ownership and airport sell-offs top the list

Australian aviation is passing through a phase of fundamental structural change brought on by the twin rigours of international competition and domestic budgetary constraint.

None of the industry's main components has been spared. By the turn of the century, a business that was initiated and nurtured for decades by government looks like becoming one of the country's largest private investment sectors.

Spurred by an air traffic explosion in emerging Asia-Pacific countries, and the promise of a tourist rush for the Sydney Olympic Games in 2000, the industry has already attracted large quantities of private funding.

The nation's two leading carriers - Qantas and Ansett - have undergone ownership changes which have raised thorny issues of foreign control. And the government has begun putting the nation's metropolitan airports up for sale, attracting bids from many of the world's leading aviation players in a process expected to raise over A$5bn in the next half decade.

The seed of these changes was sown through a decision by the former Labor government in the late 1980s to abolish the country's long-standing two airline policy. That had engendered a clubbish culture and allowed the two domestic carriers to operate co-operatively rather than competitively.

Consumers were the losers; but no longer. Fare discounting has been forced on the industry by heightened consumer expectations following two failed attempts to launch a third domestic airline. Thus stripped of revenue streams which had been virtually guaranteed for decades, both carriers have sought alliances with leading overseas rivals.

Qantas moved decisively on this front ahead of its privatisation in 1995. It took on British Airways as a 25 per cent shareholder with a strategy of co-operation and cost-sharing on the so-called Kangaroo route between Europe to Australia.

British Airways already had a strong voice in Qantas' affairs, with board representation, before the Australian government floated its remaining 75 per cent of the airline in 1994-95.

Public concerns had already been raised about the level of foreign influence in Qantas, regarded as an icon by many Australians. That prompted the government to pass float legislation restricting foreign ownership to a maximum 49 per cent.

But the system has proved unworkable, and the airline has been in breach of this limit for much of its listed life. Sensitivities also surround Ansett following this year's A$325m purchase of a 50 per cent equity stake in the company by Air New Zealand. The other 50 per cent shareholder is Mr Rupert Murdoch's News Corporation.

Air New Zealand bought its Ansett stake from TNT, the Australian transport group currently subject to a A$2bn takeover bid by the Dutch postal and telecoms company, KPN. The Ansett sale process was drawn out over 18 months and caused considerable acrimony among the parties, not least between the Australian and New Zealand governments.

One of the chief sticking points in the deal was an eleventh-hour backflip by the Australian government on an agreement to relax restrictions on Australia-New Zealand air routes.

The decision, which marked a low point in Australia-New Zealand relations, appeared to have been made to preserve the value of the Qantas float. The trans-Tasman airline agreement has since been reinstated by Australia's new coalition government, but the Ansett-Air New Zealand deal is still bogged down by bureaucracy.

In an attempt to preserve competition, Australian and New Zealand authorities have effectively forced Ansett to split into three airlines - its New Zealand operations are now wholly-owned by News Corporation and the company has been forced to seek new investors to take a half share in its international division.

This may crimp, at least initially, the capability of the new alliance to provide strong competition for Qantas. The company now at last believes it has overcome problems with its executive structure following a minor coup in poaching the former managing director of rival Cathay Pacific, Mr Rod Eddington, as Ansett's new chief executive.

Meanwhile, the next phase in the battle for Australian air supremacy looks like being fought out on tarmac controlled, for the first time in Australia, by private investors. Bidders have already been shortlisted for three of the country's 22 main airports, currently administered by the government-controlled Federal Airports Corporation.

The initial offering, involving the Melbourne, Perth and Brisbane airports, is likely to be followed next year by another package including Sydney, widely regarded as the investment "jewel", especially with the Olympic Games looming.

Large Australian companies including the AMP Society, National Mutual, Lend Lease, the Commonwealth Bank, Westfield and Brambles are part of the bidding consortia. Most have linked with experienced overseas transport and airport groups including Lockheed, BAA, Massachusetts Port Authority and the operators of Schiphol, Manchester and Vienna airports.

It is believed about a dozen consortia have been invited to sign confidentiality agreements with the airports before lodging final bids by January 31 next year.

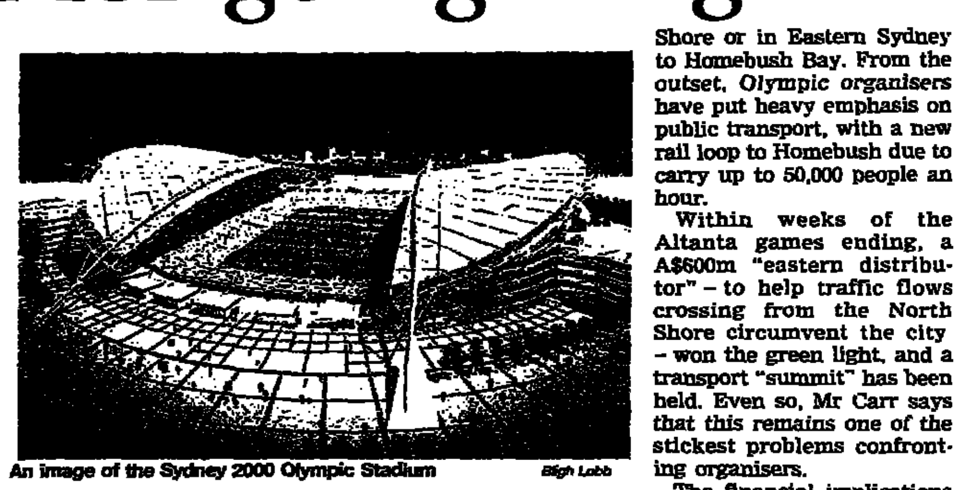
Analysts estimate that the three airport sales will probably earn the government about $2bn. Sydney airport is expected to raise this amount by itself.

■ Olympic Games: by Nikki Tait

Not all for going for gold

After the Atlanta games, the private-enterprise enthusiasts must be reined in

"Let it rip," declared Mr Bob Carr, premier of New South Wales, as the first sod was turned at the site of the new Olympic Stadium a few weeks ago. It was the voice of enthusiasm in the face of what will almost certainly be considerable adversity as Sydney's preparations for hosting the Olympics Games in the year 2000 get under way in earnest.



An image of the Sydney 2000 Olympic Stadium — Bligh Lobb

Many Sydneysiders still seem to have a genuine relish for the event. When the Olympic flag was brought back from Atlanta and marched in fairly low-key fashion from Circular Quay to the nearby Town Hall, thousands of eager office workers turned out to watch. A subsequent ticker-tape parade for returning athletes attracted a crowd of 100,000.

Businesses, too, remain enthusiastic over the likely economic stimulus. Studies have claimed that the games will inject around A$7.3bn into the local economy in the period between 1991 and 2004, and create over 150,000 full or part-time jobs.

But, from the outset, this relish was mingled with concern over how the city would cope - and much-vaunted transport and security problems faced by Atlanta have done nothing to eradicate such reservations.

Also compounding the organisers' task is the "Green Games" tag. When pitching for the games, Sydney's bid emphasised environmental credentials, and even corralled support from Greenpeace, the international organisation.

Now, as the construction and financial pressures build, these much-vaunted standards seem certain to provoke controversy. Last month environmental activists staged protest action at the main development site, ripping out PVC piping which they deem harmful.

To date, much of the focus in Sydney has been on the personalities in charge of the Games. The Sydney Organising Committee for the Olympic Games (SOCOG) has had problems finding a suitable chief executive, with a couple of targeted candidates backing out at the last minute as private sector employers bid to keep them.

More recently, the post of president of SOCOG has become uncomfortably fluid, with three individuals filling the job in six months. The final resolution involved Mr Michael Knight, state government minister with responsibility for the games, taking on the role. This, said officials, provided the closest possible link between the games' financial underwriter - the state government - and the organisers.

But as the timetable becomes more urgent, attention is likely to shift to the physical infrastructure itself. Sporting facilities will be split mainly between the Darling Harbour area in the city's centre, and the Homebush Bay site, about 14km to the west. The bulk of the construction is taking place at the latter, an old industrial area on the banks of the Parramatta River.

Some facilities - like the aquatic centre - are already constructed and in use, and are making the area a curious mix of spanking new buildings and unsightly earthworks. After some delays and legal wrangling, the main A$600m stadium contract has finally been let to a consortium headed by Australia's Multiplex, Japan's Obayashi, and with financial advice from Macquarie Bank and Hambros.

In an innovative move, the consortium plans to partly fund construction through an issue of securities which will give holders the right to a stadium ticket during the games. Advisers admit that pricing was not an easy issue, and the reception which the issue gets - allocations are likely to be announced soon - may yet provide games organisers with some insights into how to handle ticket policy generally.

The big outstanding contract is for the Olympic Village, worth around A$750m in total. Two groups are in the running, a consortium led by Lend Lease and Mirvac, two Australian groups, and a syndicate made up the Stockland and Walker property group, plus South Korea's Daewoo and Macquarie Bank. A decision is due before the year's end.

But already there are some worries that the building programme at Homebush, coupled with increasing private sector construction activity generally, could push up costs as the market tightens and lead to shortages of specialist skills.

The direct Olympics-related work has been estimated to be worth around A$2.5bn over the next four years. Admittedly, many big builders say that they have been working at less than capacity until recently. Nevertheless, the number of cranes littering Sydney's skyline is now multiplying at an impressive rate.

Transport, meanwhile, remains a separate bugbear. Sydney airport is already beset by noise problems and delays, and an 80 movements-per-hour cap has been imposed. Plans to build a second airport to the west of the city cannot be realised in time. Similarly fraught are the logistics of moving large numbers of people from residential areas on the North Shore or in Eastern Sydney to Homebush Bay. From the outset, Olympic organisers have put heavy emphasis on public transport, with a new rail loop to Homebush due to carry up to 50,000 people an hour.

Within weeks of the Altanta games ending, a A$600m "eastern distributor" - to help traffic flows crossing from the North Shore circumvent the city - won the green light, and a transport "summit" has been held. Even so, Mr Carr says that this remains one of the stickest problems confronting organisers.

The financial implications of the games, meanwhile, have yet to become clear. The original SOCOG bid talked of a A$1.87bn budget (in 1992 dollars). The cost was to be met independently of government, through the sale of television rights, sponsorship, and ticket sales - in fact, there was even talk of a small surplus. So far, this appears to be well on track, thanks largely to some better-than-expected TV rights deals.

However, the SOCOG budget, which officially covers the organising of the Games, excludes many building costs. Almost inevitably, these have tended to rise beyond the original budget - not least because of project enhancements, such as the burying of power lines, and additional investment in the rail link to Homebush Bay.

Mr Carr has been attempting to soothe local concerns on this score. "We will be paying [for the games] with 1.4 to 1.5 per cent of government expenditure over the next four to five years," he said, recently. "Atlanta was a private sector games - we may not be that far removed".

Nevertheless, cognizant perhaps of Atlanta's experiences, the organisers have also been trying to dampen down the more extreme private-sector optimism over the games' impact. "The Olympics fit the state's economic development structure - the Olympics are the icing on the cake," says Mr Carr. "It would be foolish to say they're an economic bonanza, or that they'll solve our economic problems. But if other things are going for us ... the Olympics can only help."

• FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

FT MANAGED FUNDS SERVICE

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)
4 Rue Jean Monet, L-2180 Luxembourg 352 424949320

	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity	$48.24	49.07	—	-
North America Equity	$82.67	83.28	—	-
Asian Tigers Equity	$82.81	83.24	—	-
Europe Equity	$74.56	74.93	—	-
Germany Equity	DM134.69	136.28	—	-
Japan Equity	$48.93	49.12	—	-
Europe Bond	$81.40	81.55	—	-
US Bond	$59.55	59.70	—	-
Global Bond	$81.44	81.59	—	-
Germany Bond B	DM108.[illegible]	109.43	—	-
Swiss Bond	Fs[illegible]	100.47	—	-
Eastern Europe Equity F	[illegible]	178.05	—	-
China Equity F	$56.51	57.22	—	-
Switzerland Equity	SFr124.[illegible]	124.64	—	-

Abtrust Fund Mngrs Luxembourg SA (u)
4 Boulevard Royal L-2449 Luxembourg 00 352 227001
Abtrust Atlas Fund

	Price	+ or -	Yield
Global Cos Portfolio	$3.837	+0.021	-
United States Portfolio	$5.409	-0.021	-
Contl Europe Portfolio	DM8.364	-0.008	-
Japan Portfolio	Y3.608	+0.007	-
Pacific Portfolio	$6.634	+0.020	-
Gold Portfolio	$6.445	+0.123	-
UK Growth of Income	£2.087	-0.011	3.51
Dollar Portfolio	$1.858	+0.001	7.03
Sterling Portfolio	£1.082	—	6.30

Fidelity Funds - Contd.
Country Select Funds

	Price	+ or -	Yield
ASEAN	$19.94	+0.05	-
Asian Special Situations	$10.94	+0.08	-
Australia	A$16.91	-0.09	1.26
Emerging Markets	$8.333	+0.005	-
European Sm Cos F	DM13.85	+0.05	-
France	FFr87.42	+0.53	-
Germany	DM21.72	+0.19	-
Hong Kong	$51.62	+0.20	0.66
Iberia	Pta1915	+6	-
Indonesia	$10.48	-0.11	-
Italy	L14536	+238	-
Japan Smlr Cos	Y1039	-1	-
Korea F	$7.938	+0.382	-
Latin America	$8.481	+0.003	0.54
Malaysia	$34.34	-0.02	-
Nordic	SKr198.5	+1.9	-
Singapore	$25.17	+0.35	-
Switzerland	SFr15.09	+0.07	-
Thailand	$28.14	+0.10	-
United Kingdom	£1.130	+0.002	-
Bond Funds			
European	Ecu11.20	+0.01	5.63
International	$1.067	-0.001	6.29
US Dollar	$6.679	+0.009	5.72
Sterling	£0.250	—	6.29
Yen	Y1851	-4	2.45
Balanced			
European Balanced	DM12.70	+0.03	1.92

Prices as at November 12

Aetos Master Fund (u) (x)
21 avenue de la Liberte, L-1931, Lux 00 352 479 98500

	Price	+ or -	Yield
Australian NAV	A$17.21	-0.09	-
Austrian Nat NAV	Sch84.10	-0.24	-
Belg/Lux NAV	BFr778.34	+4.34	-
Dutch Nat NAV	Dfl40.41	—	-
French Nat NAV	FFr136.07	+0.98	-
German Nat NAV	DM18.27	+0.07	-

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

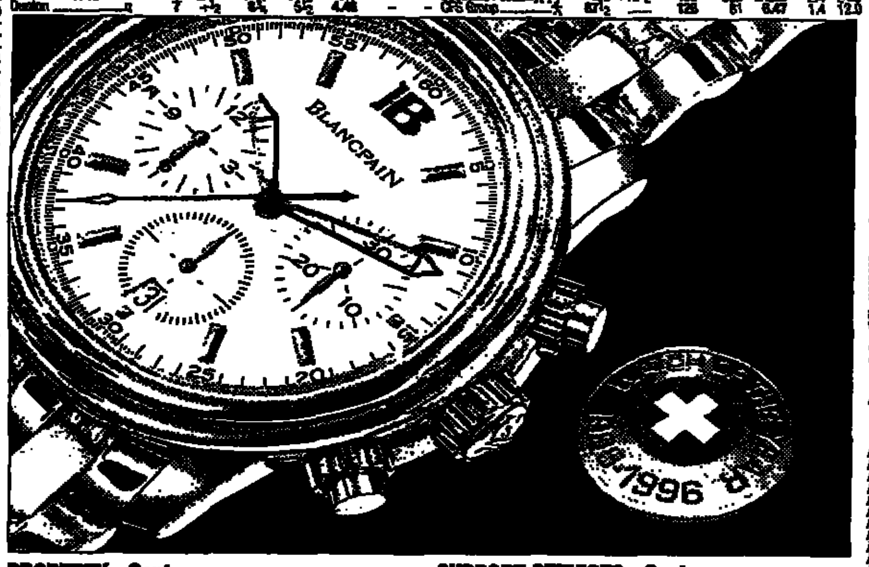
OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY



PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, FOOD - Cont.

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Trans Can Pipe	♥	10⅞	-⅛	10⅞	8⅛	1,972	3.5	
Western Star Trucks		14⅞	+⅛	21⅝	14⅛	166.8	-	

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind	g	£28½xd	—	£34¼	£20½	1,844	3.4	♦
Barlow	♣†	[illegible]	-⅛	[illegible]	[illegible]	1,074	2.2	-
Gold Flds Prop R		124½	-½	178	120	12.8	6.2	10.7
NK Props		62	—	88	60	2.49	13.3	-
SASOL	♥	645	—	710	475	3,777	1.6	-
SA Brews		£14¼	-⅛	£20¼	£14¼	4,409	2.2	♦
Standard Bank		£21⅛	—	£32¾	£21⅛	2,807	1.6	20.6
Tiger Oats	†	790	—	1270	770	1,188	1.9	17.9
Tongaat-Hulett		880½xd	-2¼	1247	880½	844.2	2.5	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FID (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

LONDON STOCK EXCHANGE

Shares fall despite store sector bid rumours

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The equity market's three-day rally petered out yesterday as fears of mounting inflationary pressures, with inevitable implications for UK interest rates, returned to haunt investors.

The trigger for a slide in gilts and equities came from strong economic news, including the October employment report and details of average earnings and unit wage costs.

In the afternoon, there was no fresh support from Wall Street, which encountered a bout of profit-taking. The Dow Jones Industrial Average has surged 245 points, or 4 per cent, since the start of November. The Dow was down over 20 points not long after the opening yesterday.

US Treasury bonds were on the defensive too, despite lower than forecast October producer prices. The US Federal Reserve's Open Market Committee met yesterday to discuss monetary policy. Strategists are not expecting any shift in US rates.

After a lethargic session, the FTSE 100 index closed 7.4 points down at 3,926.9. The FTSE 250, however, did much better, ending the day 5.4 firmer at 4,410.2, helped by good performances from many retailers, which progressed after strong rumours of a substantial bid this morning.

A lot of the speculative interest focused on House of Fraser. Body Shop and Sears were other stocks to make good progress.

The Small Cap index also managed a modest improvement, settling 2.0 better at 2,161.6.

London made a reasonable start, pushing up almost 5 points at the opening, with marketmakers happy to lift their quotations to accommodate yet another record on Wall Street.

But the picture changed with the release of the employment and earnings reports which saw unemployment falling to its lowest level for five years. Such evidence of a strong economy was accompanied by news that unit labour costs in the September quarter had risen by an annualised 5.2 per cent, well above analysts' estimates.

The only good news, as far as the market was concerned, was the September average earnings figure which, at 4 per cent, was in line with expectations.

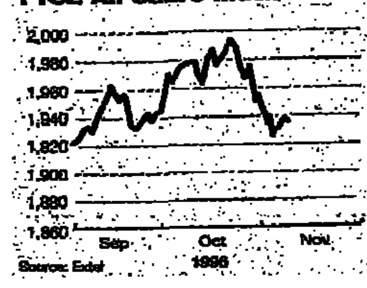
After that, Footsie was always on the back foot, closing around 4 points off the day's low.

Dealers said that turnover for much of the day was slow, despite evidence of a small to medium-sized programme which appeared to feature a switch out of investment trusts into banks and insurance stocks.

But the big upturn in volume occured minutes before the close with dealers noting a series of exceptionally big trades in London. Hanson, British Gas and Cookson, which they suspected were "bed and breakfast" or tax-related deals. Others, however, suggested the activity was linked to arbitrage.

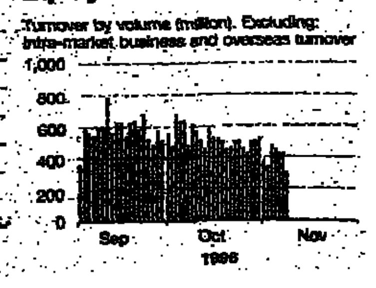
British Gas was heavily supported, partly thanks to the revival of old stories suggesting Shell was running the slide rule over the company. A bullish presentation in New York by Goldman Sachs made Lasmo the best Footsie performer.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	3926.9	−7.4
FTSE 250	4410.2	+5.4
FTSE 350	1961.2	−2.3
FTSE All-Share	1936.77	−2.02
FTSE All-Share yield	3.86	3.85
FT 30	2765.5	−9.8
FTSE Non-Fins p/e	17.71	17.74
FTSE 100 Fut Dec	3841.0	−1.0
10 yr Gilt yield	7.68	7.60
Long gilt/equity yld ratio	2.06	2.05

Best performing sectors

1. Gas Distribution .... +2.9
2. Oil Exploration .... +1.1
3. Extractive Industries .... +0.7
4. Property .... +0.6
5. Alcoholic Beverages .... +0.6

Worst performing sectors

1. Building Mat & Merchs .... −1.0
2. Oil: Integrated .... −1.0
3. Engineering: Vehicles .... −0.6
4. Chemicals .... −0.6
5. Mineral Extraction .... −0.6

Takeover flurry at Fraser

By Lisa Wood, Peter John and Joel Kibazo

As the market closed, the whiff of a takeover in the retail sector spread through the market with House of Fraser cited as the target of an attack – possibly today.

The company has been seen as ailing and vulnerable for some time. Only a month ago it revealed plans to close up to 10 stores and announced a restructuring charge of up to £50m, at a time when there is apparently a consumer boom.

Consequently, although rumours have appeared before, they strengthened yesterday with some analysts being pointedly unavailable and dealers talking about a big rights issue and offer this morning.

Retail analysts have previously considered Burton as the traditional aggressor, but yesterday Storehouse was being mooted as a strong candidate, followed by Sears.

The upshot was that House of Fraser was the best performer on the FTSE 250 index, climbing 8 to 144½p. Storehouse weakened 5½ to 274p and Burton fell 1¼ to 143p. Sears bounced 2 to 89p on trade of 10m.

There were also whispers that Great Universal Stores might spin off its Burberry business, with a likely price tag of £1bn. GUS fell 5 to 590½p.

Huge turnover in the shares of some industrial and utility groups, which have recently seen price weakness, appeared on trading screens late in the day.

Hanson, British Gas, Cookson and Lonrho all saw exceptional volume. Hanson was the most heavily traded with large blocks of stock going through the market at 74p a share taking the volume to 71m shares. It was closely followed by Gas at 61m shares.

Initial thoughts focused on bed and breakfast trades, whereby investors sell late in the day and buy back at the start of the following day to establish a tax loss.

However, there were also suggestions that one of the leading US brokers might be unwinding a huge over-the-counter option trade aimed at stripping out dividends.

The stocks involved have all been heavily sold over recent months and offer surprisingly high yield. Hanson was steady at 79¼p, Gas jumped 6 to 198½p on the back of two imminent broker recommendations, one from UBS and another – due today – from a second leading broker. Cookson added a penny at 223½p with 22m shares traded and Lonrho eased 1¼ to 134p with 14m shares dealt.

Bullish remarks coming out of New York combined with a broker recommendation gave a lift to Lasmo making the shares the best performers in the Footsie.

Mr Joe Darby, chief executive of the oil exploration and production company, said he expected Lasmo to achieve its stated production target of approximately 200,000 barrels per day, an increase of some 12 per cent over the expected outturn for 1996. He said he expected to maintain that level of production until 2001, whereas many analysts had expected production to decline.

His comments, made at a conference to investors hosted by Goldman Sachs, added lustre to an enthusiastic note from Kleinwort Benson, which reiterated its buy stance.

Kleinwort argued that the shares should be on a 15 per cent premium to net asset value which the broker calculates at 200p a share. The shares lifted 8½, or more than 4 per cent, to 210p.

East Midlands Electricity managed to persuade Dominion Resources of the US to part with 670p a share for the regional electricity group, but the news of the agreed bid hardly set the sector alight. East Midlands shares moved up only 11½ to 622½p while Northern Electricity, which is the subject of a 630p a share offer from CalEnergy of the US, fell 15 to 593½p.

The weakness acknowledges the possibility of a referral by industry secretary Mr Ian Lang to the Monopolies and Mergers Commission.

A two-way pull in British Telecom made it one of the busiest trades of the day. Turnover at the close stood at 21m with the shares having improved 1½ to 360½p, helped by a broker's change of recommendation.

The group unveils second-quarter figures today and analysts expect BT to report profits of between £680m and £685m. NatWest Securities yesterday upgraded its stance on the stock from "hold" to "add" and analysts at the broker said: "Undoubtedly, the proposed acquisition of MCI is a major move for BT. However, are the shares also set to make a long-awaited, often-predicted, major move? Our view is that a move will occur, not major, but certainly significant."

The securities house also suggests "a less aggressive investment approach may be appropriate in the future".

Profit-taking marked the rest of the sector. Cable & Wireless eased 3¾ to 474½p, in trade of 3.7m while Vodafone Group closed a penny lower at 238½p.

Vendome fell 16 to 544½p, with ABN-AMRO Hoare Govett reported to have edged down its forecast because of the strength of sterling and the weakness of the yen.

Zeneca was an early riser as the market got wind of positive comment about one of its products.

A Swedish newspaper published details of a study relating to a cocktail made up of accolate, Zeneca's anti-asthma product, and a Schering Plough product. Zeneca shares lifted 4½ to 1656p.

Ladbroke strengthened 2½ to 198½p ahead of today's trading statement.

Regent Inns gained 13 to 286½p after a punchy annual meeting statement.

BOC shed 10 to 845p on concern over the impact of sterling's recent strength on the chemical group's earnings and as analysts downgraded forecasts. SBC Warburg cut current year forecasts to £421m from £438m while maintaining the stock's "hold" rating. Next year's profit forecasts were shaved to £424m from £442m.

Unilever weakened 2 to 1364½p with SGST recommending profit-taking.

Shares in LucasVarity fell 6 to 238½p, having traded 4.4m by the close. There was talk of a sizeable downgrade, while dealers suggested US interest in the stock had faded in recent sessions. Sentiment was weakened by concerns about the slowing growth in the European automotive sector.

Smiths Industries were in demand ahead of last night's dinner for institutions hosted by Henderson Crosthwaite. The shares appreciated 7½ to 797p.

British Aerospace was in favour and the shares gained 8 to 1157½p. Dealers suggested there had been a big seller at the session end.

FT 30 INDEX

	Nov 13	Nov 12	Nov 11	Nov 8	Nov 7	Yr ago	*High	*Low
FT 30	2765.5	2775.3	2764.6	2763.9	2761.8	2611.0	2885.2	2668.8
Ord. div. yield	4.12	4.10	4.13	4.14	4.14	4.12	4.22	3.76
P/E ratio net	16.76	16.81	16.70	16.67	16.68	15.68	17.46	15.80
P/E ratio nil	16.60	16.65	16.54	16.51	16.52	15.52	17.30	15.71

FT 30 since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2772.7	2776.1	2769.7	2763.1	2763.2	2764.3	2765.8	2765.1	2765.3	2776.7	2762.1

	Nov 13	Nov 12	Nov 11	Nov 8	Nov 7	Yr ago
SEAQ bargains	33,665	34,544	35,618	35,779	38,308	28,808
Equity turnover (£m)†	–	1019.8	824.6	1436.7	1254.2	1738.2
Equity bargains†	–	22,597	23,852	24,967	25,593	33,796
Shares traded (ml)†	–	371.6	305.4	426.7	435.9	645.6

†Excluding intra-market business and overseas turnover.

	Nov 13	Nov 12	Nov 11	Nov 8	Nov 7	Yr ago	*High	*Low
FTSE AIM	1025.60	1024.20	1023.70	1020.90	1019.70	–	1140.40	965.70

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	465	Total Highs	72	Total contracts	48,244
Total Falls	571	Total Lows	69	Calls	20,257
Same	1,561			Puts	27,987

Nov 13 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3944.0	3941.0	-1.0	3949.0	3928.0	10677	57044
Mar	3951.0	3957.0	-0.5	3951.0	3951.0	50	3903
Jun	-	3973.0	-	-	-	0	1783

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	4439.0	+6.0	-	-	0	4193

FTSE 100 INDEX OPTION (LIFFE) (*3927) £10 per full index point

	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P
Nov	178½	½	128½	½	79½	1	33½	5½	4½	26½	1	74	½	124	½	174
Dec	285½	13	162	19½	122½	30	85½	44½	54½	65	31	93½	15	131½	6½	179
Jan	224½	24½	183	33	144½	45	110½	61½	79½	82	58½	110	37½	143½	21½	182
Feb	246	40	207½	50½	170	63½	138	81	108½	101	82½	127½	58½	127½	43	193
Jun†			288½	104½			284½	139½			152	187			104½	241

Calls 4,167 Puts 11,421

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P	4125 C	4125 P
Nov	153½	½	104	1	56	2½	15½	12½	1	47	½	96½	½	146½	½	198½
Dec	181½	16½	139½	24	101	35½	68	53	42	75½	22½	106	11	143½	4	187
Jan	206	29½	188	39½	129	52½	96	69½	67	90½	44	117½	27½	151	16	189½
Mar			208½	71			136	105			65	151½			46½	211½
Jun†			256	113½			195	148½			143	193			100½	247

Calls 9,877 Puts 10,157 * Underlying index value. Premiums shown are based on settlement prices † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
3	F.P.	7.87	4	4	†Beaufort	4		-	-	-	45.7
§3	F.P.	7.55	4¼	4	†Beechcroft	4		-	-	-	13.2
§157	F.P.	37.7	177½	172½	Brands Hatch	172½		W3.5	1.9	2.5	17.4
§130	F.P.	37.5	162½	130	Britt Allcroft	159½		L1.6	3.0	1.3	28.2
§135	F.P.	48.1	165½	152½	Charles Taylor	165	+½	L4.2	0.3	3.2	52.4
3	F.P.	7.41	4¾	4	†Corp Exec Search	4¾		-	-	-	-
	F.P.	10.3	164½	155½	†Deep Sea Leisure	164½		-	-	-	-
§	F.P.	32.2	610	600	First Russian C	607½	+2½	-	-	-	-
100	F.P.	96.0	113½	81½	†Geo Inter Med	96		-	-	-	-
§100	F.P.	24.9	99½	98	Hlthcare Reform	99½		-	-	-	-
	F.P.	10.8	132½	122½	†Jardinerie Ints	122½		-	-	-	-
§285	F.P.	138.5	310	282½	John D Sports	300	+½	L4.3	2.5	1.8	28.2
72	F.P.	26.3	79½	67½	†Loftus Road	71	+2½	-	-	-	-
§	F.P.	27.9	218½	187½	†Majestic Wines	218½	+14	-	-	-	12.8
§10	F.P.	4.23	12¼	11¼	†Mears Group	11¾		K0.2	-	2.1	-
75	F.P.	5.46	93½	82½	†Mondas	90½		-	-	-	-
§154	F.P.	22.1	248½	187½	Oriental Rest	231½	-5	-	-	-	26.2
§	F.P.	33.5	137½	130½	Scot Highland Ht	137½		R3.0	2.4	2.7	13.7
§250	F.P.	200.5	308½	282½	Ultra Elctn	308½	+4½	RW6.5	2.3	2.6	20.9

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 12	% chg on day	Nov 11	Year ago	Gross div yield %	P/E ratio	52 week *High	52 week Low
Gold Mines Index (31)	1980.57	+3.1	1902.40	1920.47	1.53	–	2620.73	1831.02
Regional Indices								
Africa (13)	2439.47	+1.5	2403.96	2624.95	3.17	35.47	3553.86	2332.70
Australasia (6)	2074.25	+0.5	2064.32	2290.27	2.69	20.78	2827.34	2005.75
North America (12)	1813.69	+4.1	1741.73	1667.18	0.71	68.61	2186.39	1598.25

 Figures in brackets show number of companies. Basis US Dollars. Base Value: 1000.00 31/12/92. † Partial.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Nov 13	Day's chge%	Nov 12	Nov 11	Nov 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	3926.9	−0.2	3934.3	3914.4	3910.8	3571.4	4.02	2.04	15.26	157.57	1836.25
FTSE 250	4410.2	+0.1	4404.8	4395.6	4395.6	3922.2	3.54	1.50	23.54	159.94	1796.67
FTSE 250 ex IT	4450.8	+0.1	4444.5	4435.9	4435.6	3945.9	3.63	1.52	22.57	167.93	1819.24
FTSE 350	1961.2	−0.1	1963.5	1954.9	1953.4	1775.1	3.91	1.93	16.53	77.10	1669.18
FTSE 350 Higher Yield	1866.6	−0.1	1869.4	1862.9	1862.8	1786.0	5.22	1.81	13.22	87.33	1338.14
FTSE 350 Lower Yield	2062.8	−0.1	2064.8	2053.9	2051.2	1789.1	2.74	2.14	21.28	57.40	1445.25
FTSE SmallCap	2161.57	+0.1	2159.64	2159.68	2158.84	1936.94	3.15	1.56	25.11	62.19	1796.77
FTSE SmallCap ex IT	2164.17	+0.1	2161.59	2162.12	2160.89	1923.36	3.35	1.65	22.61	66.16	1814.13
FTSE All-Share	1936.77	−0.1	1938.79	1930.89	1929.51	1751.46	3.86	1.91	16.97	74.59	1673.44

FTSE Actuaries Industry Sectors

	Nov 13	Day's chge%	Nov 12	Nov 11	Nov 8	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3751.47	−0.6	3773.17	3755.02	3712.89	2971.68	3.80	1.71	19.28	142.73	1644.33
12 Extractive Industries(6)	3996.52	+0.7	3968.10	4022.62	4000.71	4127.98	4.06	2.66	11.58	162.00	1191.16
15 Oil, Integrated(3)	3885.33	−1.0	3922.95	3890.68	3839.50	2976.74	3.97	1.55	20.29	154.36	1749.91
16 Oil Exploration & Prod(15)	2805.84	+1.1	2775.61	2774.94	2769.36	1886.85	1.85	1.71	39.67	52.93	1700.70
20 GEN INDUSTRIALS(275)	1996.57	−0.3	2002.42	2001.15	2000.37	1948.44	4.28	1.67	17.46	76.63	1112.37
21 Building & Construction(34)	1185.64	−0.4	1190.67	1192.75	1193.76	970.13	3.57	1.47	23.89	39.06	1009.87
22 Building Matls & Merchs(29)	1838.46	−1.0	1856.32	1852.04	1844.68	1730.28	4.20	1.40	21.20	74.81	948.56
23 Chemicals(25)	2383.31	−0.6	2398.41	2380.29	2370.54	2375.20	4.25	1.45	20.28	86.14	1148.85
24 Diversified Industrials(19)	1398.86	−0.2	1403.01	1408.08	1422.63	1768.65	7.24	1.61	10.78	89.41	807.12
25 Electronic & Elect Equip(36)	2273.63	−0.2	2278.47	2286.05	2261.50	2128.11	3.44	1.48	24.50	64.15	1199.05
26 Engineering(71)	2606.80	+0.2	2600.46	2592.72	2591.92	2140.11	3.14	2.25	17.64	72.59	1606.91
27 Engineering, Vehicles(14)	3162.63	−0.6	3183.13	3175.68	3195.00	2542.66	3.41	1.72	21.33	102.58	1689.08
28 Paper, Pckg & Printing(28)	2537.25	−0.2	2543.53	2555.74	2553.85	2755.62	4.07	1.84	16.69	92.21	1077.10
29 Textiles & Apparel(19)	1142.03	−0.3	1145.82	1150.51	1151.19	1474.47	6.25	1.17	17.15	53.39	711.53
30 CONSUMER GOODS(92)	3691.40	−0.2	3699.03	3676.21	3668.21	3500.80	3.93	1.94	16.44	132.90	1390.71
32 Alcoholic Beverages(6)	2736.53	+0.6	2720.43	2710.51	2716.21	2830.06	4.64	1.70	15.83	104.19	1005.10
33 Food Producers(25)	2603.52	−0.3	2611.26	2593.89	2577.31	2484.74	4.18	1.79	16.65	88.73	1195.93
34 Household Goods(15)	2700.12	−0.4	2711.47	2728.76	2701.89	2530.40	3.78	2.25	14.69	101.22	1053.36
36 Health Care(18)	1949.66	+0.4	1941.22	1915.18	1912.46	1940.78	3.06	1.99	20.49	54.40	1202.24
37 Pharmaceuticals(14)	5696.53	−0.4	5722.06	5691.13	5676.71	4897.77	3.00	2.01	20.69	172.19	1966.40
38 Tobacco(2)	3584.54	−0.3	3594.40	3543.31	3555.69	4595.45	7.23	2.13	8.11	262.07	923.06
40 SERVICES(253)	2550.73	−0.2	2555.26	2544.72	2545.75	2166.01	2.93	1.98	21.57	75.90	1347.86
41 Distributors(30)	2891.17	+0.1	2887.26	2890.58	2892.01	2631.02	2.97	2.02	20.77	80.00	1082.72
42 Leisure & Hotels(25)	3183.60	+0.3	3172.79	3160.59	3158.80	2432.08	2.75	2.03	22.45	173.08	1731.29
43 Media(45)	4247.71	−0.4	4266.77	4233.57	4236.24	3442.48	2.16	2.07	27.99	92.04	1554.79
44 Retailers, Food(14)	1971.14	−0.3	1976.34	1982.01	1989.54	1966.54	3.98	2.31	13.59	70.37	1278.90
45 Retailers, General(45)	2069.58	−0.3	2075.28	2062.46	2062.23	1837.41	3.16	2.09	18.92	66.64	1206.06
47 Breweries, Pubs & Rest.(21)	3101.93	......	3100.83	3091.64	3101.26	2694.80	3.36	2.00	18.65	68.29	1504.12
48 Support Services(50)	2607.72	+0.1	2604.36	2593.89	2586.59	1843.38	1.90	2.23	29.54	48.36	1674.89
49 Transport(23)	2564.17	−0.2	2569.03	2555.55	2551.43	2194.56	3.75	1.18	28.20	82.36	1065.29
60 UTILITIES(33)	2367.50	+0.3	2361.27	2359.48	2367.35	2487.79	5.48	1.75	13.06	168.88	1059.00
62 Electricity(12)	2533.78	+0.1	2531.44	2515.52	2518.89	2850.31	6.50	2.21	8.69	120.17	1372.02
64 Gas Distribution(2)	1342.95	+2.9	1304.55	1307.75	1298.15	1601.29	6.92	0.63	19.81	119.71	734.82
66 Telecommunications(6)	1992.77	−0.1	1995.53	1999.87	2011.61	2034.74	4.05	1.51	20.48	50.32	925.60
68 Water(11)	2225.38	−0.2	2218.69	2211.05	2223.26	2074.82	6.29	2.29	8.67	103.62	1262.09
69 NON-FINANCIALS(687)	2023.02	−0.2	2027.10	2020.10	2017.27	1854.99	3.88	1.87	17.71	79.81	1599.62
70 FINANCIALS(103)	3281.90	+0.3	3271.86	3248.85	3255.54	2774.00	4.05	2.36	13.05	124.39	1445.35
71 Banks, Retail(8)	4704.68	+0.4	4686.14	4665.43	4686.50	3626.51	3.86	2.71	11.95	175.95	1572.86
72 Banks, Merchant(6)	3691.39	−0.3	3702.00	3696.72	3680.87	3548.55	2.92	3.04	14.58	95.60	1158.47
73 Insurance(21)	1548.29	......	1548.35	1531.80	1531.86	1362.23	5.43	2.29	10.05	79.70	1192.75
74 Life Assurance(7)	3793.40	+0.1	3790.97	3716.81	3705.94	3234.38	4.10	1.78	17.09	151.01	1612.52
77 Other Financial(20)	2727.25	+0.5	2713.61	2695.59	2698.71	2386.80	4.01	1.79	17.41	88.27	1581.39
79 Property(41)	1673.02	+0.6	1662.22	1655.24	1647.72	1376.72	3.85	1.26	25.79	49.57	1047.84
80 INVESTMENT TRUSTS(126)	3134.20	−0.1	3137.24	3129.51	3129.88	2912.67	2.27	1.12	49.36	62.38	1106.24
89 FTSE All-Share(916)	1936.77	−0.1	1938.79	1930.89	1929.51	1751.46	3.86	1.91	16.97	74.59	1673.44
FTSE Fledgling	1215.84	+0.1	1215.02	1215.67	1216.76	1089.48	2.85	0.65	67.68	31.46	1269.08
FTSE Fledgling ex IT	1229.06	+0.1	1227.77	1228.86	1228.36	1092.02	3.04	0.57	72.42	34.30	1304.94

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	3934.5	3927.7	3931.5	3925.0	3925.5	3926.1	3921.2	3925.9	3926.9	3939.5	3922.9
FTSE 250	4407.4	4406.0	4407.3	4407.3	4408.0	4409.0	4410.6	4410.8	4410.9	4411.7	4406.2
FTSE 350	1963.9	1965.2	1962.7	1960.1	1960.4	1961.5	1962.6	1960.7	1961.2	1965.8	1959.2

Time of FTSE 100 Day's high: 8:42 AM Day's low: 10:42 AM. FTSE 100 1996 High: 4073.1 (21/10/96) Low: 3632.3 (15/07/96).

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1159.5	1158.6	1153.3	1153.7	1154.3	1154.3	1153.9	1153.9	1154.5	1154.3	1162.3	-8.0
Pharmaceuticals	5848.6	5844.8	5849.0	5836.6	5836.0	5841.2	5845.0	5822.6	5822.6	5822.6	5848.9	-26.3
Water	2217.6	2211.9	2210.8	2207.9	2208.2	2205.8	2209.0	2211.3	2210.1	2210.1	2205.5	+4.6
Banks, Retail	4772.4	4782.8	4780.3	4769.1	4766.1	4765.9	4766.2	4758.3	4768.3	4784.8	4748.0	+16.8

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810. The FTSE Actuaries Share Indices are calculated in accordance with a standard set of ground rules established by FTSE International in conjunction with the Faculty of Actuaries and the Institute of Actuaries. "FT-SE" and "Footsie" are trade marks of the London Stock Exchange and The Financial Times and are used by FTSE International under licence. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. DELETION: Richards Group (FTSE Fledgling).

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	599	477½	-1
ASDA Group†	4,100	117½	-½
Abbey National†	2,900	650½	+4½
Albert Fisher	2,700	42¾	+¼
Allied Domecq†	4,900	447	-7
Anglian Water	389	565	
Argos†	522	787½	-2
Arjo Wiggins	93	166	-½
Assoc. Brit. Foods†	209	425	-2½
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Extel, part of FT Information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 13 / Sch)

BELGIUM/LUXEMBOURG (Nov 13 / Frs.)

CZECH REP (Nov 13 / Koruna)

DENMARK (Nov 13 / Kr)

FINLAND (Nov 13 / Mkk)

FRANCE (Nov 13 / Frs.)

GERMANY (Nov 13 / Dm.)

GREECE (Nov 13 / Drachma)

ITALY (Nov 13 / Lire)

NETHERLANDS (Nov 13 / Fls.)

NORWAY (Nov 13 / Kroner)

POLAND (Nov 13 / Zloty)

PORTUGAL (Nov 13 / Escudo)

SPAIN (Nov 13 / Pts.)

SWEDEN (Nov 13 / Kronor)

SWITZERLAND (Nov 13 / Frs.)

TURKEY (Nov 13 / Tk Lira)

PACIFIC

JAPAN (Nov 13 / Yen)

HONG KONG (Nov 13 / H.K.$)

INDONESIA (Nov 13 / Rupiah)

MALAYSIA (Nov 13 / MYR)

NEW ZEALAND (Nov 13 / NZ $)

SINGAPORE (Nov 13 / S$)

AUSTRALIA (Nov 13 / Aust$)

SOUTH KOREA (Nov 13 / Won)

TAIWAN (Nov 13 / TW $)

THAILAND (Nov 13 / Baht)

AFRICA

SOUTH AFRICA (Nov 13 / Rand)

NORTH AMERICA

CANADA

TORONTO (Nov 13 / Can $) 4 pm close

MONTREAL (Nov 13 / Can $) 4 pm close

Sales	Stock		+/-	High	Low
382356	AbibiPr	18⅞	+¼	28¾	16½
101516	AgnEag	20⅜	+1¼	28	18¼
345940	AirCda	6⅛	-⅛	6¾	4⅛
373883	AlbtaE	30	+¼	30⅛	20⅞
308010	AlcnAl	47⅞	+1¼	48⅛	38⅞
67791	AtcoCl	23¾	-⅛	24	18¾
191127	Avenor	22⅞	+¼	29⅜	18⅞
39688	BCSugA x	12		12⅛	8
78181	BC Tel	29⅜	-1	31½	23¾
982831	BCE	62⅝	-1⅛	66⅛	44⅞
3756	BCE Mb	45½	+1⅞	48½	38⅞
32150	BGR A	18¼		20⅝	13½
195250	BkMont x	41⅞	-1	45⅞	29⅞

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Nov 13	Nov 12	Nov 11	1996 High		1996 Low	
India							
BSE Sens.(1979)	(c)	(c)	(c)	4069.26	16/6	2826.08	25/1
Indonesia							
Jakarta Comp.(10/8/82)	595.49	597.05	601.13	630.21	24/4	512.48	2/1
Ireland							
ISEQ Overall(4/1/88)	2868.39	2872.60	2877.75	2700.04	4/10	2234.61	2/1
Italy							
Banca Comm Ital(1972)	638.77	632.49	622.57	674.19	20/5	572.21	27/3
MIB General(3/1/86)	1083.0	1073.0	1058.0	1142.00	20/5	970.00	27/3
Japan							
Nikkei 225(16/5/49)	20979.44	21206.43	21085.08	22666.80	26/6	19734.70	13/3
Nikkei 300(1/10/82)	294.14	295.90	295.08	318.70	26/6	284.48	11/3
Thailand							
Bangkok SET(30/4/75)	979.51	953.68	947.28	1416.04	6/2	905.34	15/10
Turkey							
Istanbul Cap.(Jan 1986)	82215.0	83723.0	84802.2	84802.28	11/11	38778.39	2/1
WORLD							
MS Capital Int(1/1/70)	(u)	817.0*	816.1	817.00	12/11	728.90	15/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1789.36	1793.69	1786.58	1799.38	13/11	1604.40	11/1
Euro Top-100(26/6/90)	1516.40	1512.86	1501.81	1516.40	13/11	1339.61	11/1
HSBC JC Drgn(31/12/88)	(u)	399.88	398.26	399.88	12/11	344.19	2/1
ING Brngs Emrg(7/1/92)	158.22	158.30	157.82	165.81	4/7	147.26	2/1

US INDICES

Financial	79.70	79.85	80.08	80.89 (8/11)	58.67 (10/1)	80.89 (8/11/96)	7.13 (4/9/74)
NYSE Comp.	386.18	386.83	386.32	386.83 (11/11)	321.41 (10/1)	386.83 (11/11/96)	4.64 (28/4/42)
Amex Mkt Val	581.64	579.73	580.39	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1256.53	1262.67	1257.51	1262.67 (11/11)	988.57 (15/1)	1262.67 (11/11/96)	54.87 (3/10/74)

■ RATIOS

	Nov 8	Nov 1	Oct 25	Year ago
Dow Jones Ind. Div. Yield	2.09	2.16	2.15	2.39
	Nov 6	Oct 30	Oct 23	Year ago
S & P Ind. Div. yield	1.89	1.95	1.92	2.04
S & P Ind. P/E ratio	23.58	22.80	23.15	18.23

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
WalMart	12,295,800	25⅛	-1⅛
AT&T	10,187,000	38¼	+1⅛
Micron	9,468,000	30⅝	-1⅛
Motorola	7,707,700	51⅞	+1⅞
Westinghse	7,548,700	20⅛	+⅛
LSI Logic	5,424,600	31¼	-1
Home Depot	5,089,800	53⅛	-3⅛
PepsiCo	4,926,000	31½	+⅛
Mellon Bnk	4,588,100	64⅜	-1⅜
Xerox	3,599,200	46⅛	+⅜

■ TRADING ACTIVITY

● Volume (million)	Nov 12	Nov 11	Nov 8
New York SE	471.743	353.959	405.047
Amex	21.800	20.258	21.742
NASDAQ	610.741	444.303	554.307
NYSE			
Issues Traded	3,303	3,261	3,277
Rises	1,329	1,402	1,302
Falls	1,111	1,001	1,080
Unchanged	863	858	895
New Highs	226	233	217
New Lows	21	31	36

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x index)							
Nov	2238.0	2233.0	-10.0	2242.0	2230.0	10,628	24,255
Dec	2243.0	2238.0	-10.0	2244.0	2237.0	298	20,252
■ DAX							
Dec	2778.0	2777.0	+7.0	2788.5	2771.5	22,081	-
Mar	2797.0	2795.0	+8.6	2805.0	2790.5	1,076	-
■ OMX							
Nov	1696.00	1697.50	-2.50	1702.00	1695.00	4,596	26,891
Dec	1705.75	1707.00	+3.50	1711.00	1705.00	2,948	3,764
■ SOFFEX							
Nov	3829.9	3824.0	-5.0	3838.0	3820.0	6,693	13,705
Dec	3840.0	3827.9	-4.1	3840.0	3823.0	3,693	12,986

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	731.80	730.65	-1.35	733.50	730.60	67,292	188,428
Mar	738.40	737.40	-1.15	738.80	737.20	1,256	8,760

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	21240.0	21080.0	-140.0	21290.0	20990.0	21,853	216,005
Mar	21300.0	21100.0	-160.0	21300.0	21040.0	2,015	17,503

Open interest figures for previous day.

Base values of all indices are 100 except: Australia All Ordinary and Metals & Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 13 - 2770.61 +8.31.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, November 13, 1996

	Stocks Traded	Closing Prices	Change on day
Green Cross Corp	8.7m	604	+19
Sumitomo Seika	8.3m	899	+15
Nippon Steel Cp	5.5m	342	
Hitachi	4.6m	1020	-20
Minebea	4.1m	999	-4
Miyakoshi Corp	4.1m	1020	-60
Maruha Corp	3.9m	361	+1
NEC Corp	3.8m	1320	
Kobe Steel	3.4m	277	-1
Sumitomo Mtl Ind	3.1m	314	-1

4 pm close November 13

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
31¼	17¾	AAR	0.48	1.7	25	779	28	27⅞	28	-⅞
48⅛	33	AMP x	1.00	2.9	17	8384	34½	33¾	34¼	-¼
97½	68	AMR			17	6405	89⅞	87⅜	87⅝	-1
50½	37⅛	ASA x	1.40	3.5	28	1528	41	40¼	40½	-⅛
53½	38⅛	AbbtL	0.96	1.8	22	6443	52⅝	51⅞	52½	
17¼	13¼	Abitibi Pr	0.40	2.7	7	508	15	14¾	15	+¼
20¼	13½	ABM Ind	0.35	2.0	18	178	17½	17¼	17½	+¼
22½	13⅞	Acclncoln			45	188	22⅛	21⅝	21⅝	-⅜
58½	37¾	ACE Ltd	0.58	1.0	14	281	u58½	58⅜	58⅝	-⅛
10⅜	9⅛	ACM Gvt In x	0.90	8.7	9	386	u10⅜	10¼	10⅜	+⅛
7⅞	6⅝	ACM GrOpp x	0.57	7.8		42	7¼	7⅛	7¼	+⅛
9¾	8⅜	ACM Man x	0.90	9.4		149	9⅝	9½	9⅝	
13⅞	6⅛	Acme Elect	0.32	4.4	55	33	7¼	7⅛	7¼	+⅛
18⅞	13⅞	Acme Mills			13	115	18¾	18½	18¾	+⅜
33¾	27¾	Acordia	0.72	2.5	14	2	29⅜	29⅜	29⅜	
24½	12	Acuson			116	2419	u24½	23¾	24½	+¼
20⅞	17⅞	Adams Expr	0.48	2.3	1	106	u20⅞	20¾	20¾	
21⅞	10¼	AdvMic				2223348	u21⅞	19⅝	21⅝	+1⅝
11⅛	8½	Advest Grp	0.16	1.6	7	222	9⅞	9⅝	9⅞	+⅛
26⅛	9⅛	Advo Inc	0.10	0.8	100	537	13½	13⅛	13⅛	-½
56¼	41⅛	Aegon	1.45	2.8	17	89	u56¼	55⅝	56	+1⅜
6¾	3½	Aerflx			3	310	4⅝	4½	4½	
70⅞	57⅜	Aetna	0.80	1.2	9	3889	69¼	67⅞	69	+½
44	28¼	Aflac x	0.40	0.9	17	1607	43	42⅛	42½	-⅛
22	17⅛	AGL Res x			15	448	21	20⅝	20⅞	-¼
32⅞	21⅛	Ahmnsn x	0.88	2.9	54	2761	30⅞	30½	30⅝	-⅜
68⅜	50⅞	AirPrC	1.10	1.6	18	4149	68⅛	67½	67½	-½
28⅜	19½	Airbne Frt x	0.30	1.4	16	1125	21⅝	21⅛	21⅝	+⅜
25½	15½	Airgas Inc			38	727	24½	23⅞	24½	+⅜
18⅞	13¼	Airlease	1.80	11.6	10	82	15⅝	15⅜	15½	
60	35	Barnes Grp	1.80	3.0	13	98	d60	59⅛	59⅞	+¾
40⅝	27¼	BarnBA	1.08	2.7	13	6362	39⅝	39¼	39⅜	-½
32⅞	24⅝	BrckGd	0.12	0.4		3832204	29	28¼	28⅜	
16	10¼	Barry(RG)			11	151	11¼	11	11	-⅛
11⅝	7⅛	BatMt	0.05	0.6	9	112959	8½	8⅛	8¼	-⅛
44½	32½	Bausch	1.04	3.1	20	8355	33⅝	d32½	33⅛	+⅜
46¾	33	Baxter	1.21	2.8	17	5543	43⅜	42⅞	43¼	
43⅝	18⅛	BayNtwks				3930366	22½	21½	22⅛	-½
29⅞	25⅝	Bay St Gas x	1.54	5.3	14	239	29¼	28¾	28⅞	+¼
40⅞	15¾	BRN			10	669	24	23¼	23⅜	-½
22¼	19⅞	Bd Tr 1838	1.56	7.8		7	20¼	20⅛	20⅛	-⅛
8⅞	7¼	BEA Inc x	0.72	9.8		1897	7½	d7¼	7⅜	
9⅞	9½	BeaGraF x	0.81	9.0		52	9⅛	9	9	
25½	17¼	Bear Sims x	0.60	2.4	7	2953	24⅞	24⅜	24¾	-⅛
44⅞	41	BearStPIA	2.82	6.5		11	43⅞	43⅝	43⅝	-⅛

Continued on next page

4 pm close November 13

NYSE PRICES

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- X - Y - Z -

59¼	39¾	Xerox	1.16	2.5	42	14104	46⅞	46⅛	46¼	+⅛
47⅞	39¾	Xtra Corp	0.72	1.8	15	13	40⅝	40⅝	40¾	
25¼	20⅝	Yankee Egy	1.30	5.8	10	161	22⅞	22	22¼	+¼
53⅞	43⅞	York Int	0.36	0.7	24	398	52¼	51	52¼	+¾
4	3	Zapata	0.14	3.7	10	128	u4	3⅞	3⅞	-⅛
25¾	5⅞	ZeitGE			6	2072	13⅛	12¾	12⅞	-⅜
28⅞	21⅛	Zenith Nat	1.00	3.8	35	z100	26½	26½	26½	
7¼	6½	Zenix Inc	0.72	10.1		121	u7¼	7⅛	7⅛	
22⅞	15⅞	Zero x	0.12	0.6	16	187	19⅞	19⅛	19¼	+⅛
27¾	18½	Zurn Ind	0.40	1.5	22	650	u27¾	26¾	27½	+⅞
11⅞	10½	Zweig Fund	1.08	9.9		273	11	10⅞	10⅞	
9	8¼	Zweig Totl x	0.84	10.0		391	8½	8⅜	8⅜	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1996. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. s/s-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close November 13

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NASDAQ NATIONAL MARKET

4 pm close November 13

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US shares dip after dull start for bonds

AMERICAS

US shares were mixed at midsession as good corporate news helped bolster the technology sector while other areas fell victim to a weaker bond market and some profit-taking, *writes Lisa Bransten in New York.*

At 1 pm, Dow Jones Industrial Average was 4.47 weaker at 6,261.57 and the Standard & Poor's 500 slipped 0.02 at 729.54. The American Stock Exchange composite climbed 1.56 at 563.30. NYSE volume was 244m shares.

Bonds were mostly weaker as investors took some profits on the heels of an extraordinary run-up in that market. However, few on Wall Street were worried that the Federal Reserve's Open Market Committee would raise interest rates at yesterday's meeting.

The technology-rich Nasdaq composite rose 3.43 at 1,259.96 and the Pacific Stock Exchange technology index added 0.5 per cent as a strong earnings report from Dell Computer helped stave off profit-taking in the sector.

After the market closed on Tuesday, Dell said that third-quarter earnings were $1.52 a share, well above the $1.15 analysts had expected. In early trading shares were $4 stronger at $92⅞.

That news also helped other computer makers. Compaq Computers added $2¾ at $75⅞ and Gateway 2000 climbed $1 at $54¼. However, Sun Microsystems, the specialty computer maker, saw its shares drop $3¼, or 5 per cent, at $58¾ after announcing that it planned to cut prices on some of its products.

Microsoft, the second largest company on the Nasdaq, gained $3¼ at $145¼ after announcing a share split.

Elsewhere, Westinghouse slipped $1, or 5 per cent, to $19⅝ after the company made its long-awaited announcement that it planned to spin off its industrial business into a separately traded company. By Tuesday, shares in the company had risen 20 per cent this month as investors awaited a restructuring announcement.

Dillard Department Stores shed $3⅜, or 10 per cent, at $29 after reporting third-quarter earnings well below analysts' estimates. The retailer said it made 28 cents a share in the last quarter, 22 cents below the median expectation.

TORONTO picked up where it left off on Tuesday, trading narrowly and showing little change at the end of a relatively active morning session. At noon, the TSE-300 composite index was 1.49 down at 5,805.48.

Mining shares were well dealt showing a sub-sector gain of around 3 per cent. On the downside, banks stood out with a decline of 2 per cent.

Leading Latin American bourses mostly moved lower in early trading. The main exception was **BUENOS AIRES** which continued to edge towards the 600 level. At midsession, the Merval index was up 4.78 at 597.75.

CARACAS displayed initial weakness with the IBC index slipping 41.02 to 5,956.89. **MEXICO CITY** also moved lower. The IPC index was off 8.23 at 3,366.19 at midsession.

Frankfurt advances to fresh peak

EUROPE

Shares in **FRANKFURT** surged further into record territory riding high on the back of strong corporate news and a multitude of broker buy notes.

Veba, the diversified utility, and Daimler-Benz were the best stocks, with the former shooting almost 6 per cent ahead on strong nine-month results and broker-earnings upgrades.

The shares ended up DM4.95 at DM88.55 in heavy trading volume. Daimler jumped DM3.70 to DM97.85 following a round of positive broker recommendations. A reiterated buy stance from Lehman Brothers hoisted the tyre group Continental by 70 pfg to DM25.60.

Bayerische Hypo gained DM1.66 to DM47 and Commerzbank, underpinned by an upbeat meeting with analysts, rose 65 pfg to DM35.30.

Nine-month numbers from BASF were deemed unexciting, but the chemical leader held out the prospect of a higher dividend this year and the shares added 21 pfg to DM51.55.

At the close, the DAX stood at an Ibis-indicated 2,770.61, up 6.31.

PARIS moved out of step with leading bourses, slipping lower to close with the CAC-40 index off 11.94 at 2,217.19.

After Tuesday's excitements for the insurance sector, the takeover talk turned to the banks where CCF was up almost 4 per cent at one stage before closing FFr5.10 ahead at FFr248.5.

Speculation centred on the possibility of a bid for CCF from either BNP or Société Générale, its two bigger banking rivals. BNP, up sharply on Tuesday, came off FFr4.10 to FFr212.7. Soc Gen gained FFr13 to FFr580.

Elf Aquitaine fell FFr2.10 to FFr423.4 after the government ran down its stake in the oil giant from 9.1 per cent to 0.75 per cent. The shares were sold at FFr417.50.

Sanofi was suspended at FFr470 – up FFr10 in two days – pending news of a new drug, Clopidogrel. Trading in Axa and UAP, suspended on Tuesday as the two insurance groups announced merger plans, restarts this morning.

AMSTERDAM followed Germany to another all-time high, breaking up through the magic 600-point level on the AEX index to close at 602.02, up 4.43. Aegon rose Fl 3.50 to Fl 94.70 ahead of tomorrow's nine-month results and Unilever had another solid day adding Fl 2.90 to Fl 279.50 on talk of US buying.

KLM, which briefed analysts on its planned restructuring and radical cost-cutting programme, came off 60 cents to Fl 41.70.

Chemicals stayed in favour. Akzo Nobel put on Fl 5 to Fl 218.70 and DSM gained Fl 1.10 to Fl 160.90.

ZURICH pulled slightly back from Tuesday's record close during a quiet session when many transactions were derivatives-driven ahead of Friday's expiry of futures and options. The SMI index dipped 4.1 to 3,825.7.

Among the day's best performers, Holderbank jumped SFr18 to SFr912. Analysts said that the stock had reached a level which triggered buying.

ABB, up SFr10 to SFr1,610, was said to be benefiting from a steady stream of international orders.

SMH lost SFr11 to SFr814 as Micro Compact Car, its joint venture with Mercedes-Benz, denied press reports that their new, small Smart car was unstable.

Baloise, the insurer, rose SFr55 to SFr2,775 on renewed takeover rumours.

MILAN turned its attention to the banking sector as the November 18 deadline for bids for Banco di Napoli drew closer. The Comit index rose 8.38 to 633.77, deriving further support from the higher trend in domestic bonds and the lira.

BCI rose 76 to L2,881 as it denied interest in the Naples bank. Ambroveneto jumped L157 to L3,365, although it said that it had yet to make a decision over Napoli. The two northern banks have been rumoured to be the most likely of the Italian banks to mount a bid.

Savings shares in Napoli rose L20 to L560, off a high of L570, after the government won a confidence vote in the Senate upper house to convert into law a decree covering the rescue plan for the troubled bank.

Stet pulled back 3.5 per cent on profit-taking after Tuesday's 10 per cent jump following the plans for its merger with Telecom Italia, which recouped L52 of recent losses to L3,383.

Olivetti added L13 to L508.7 after its announcement that net debt at the end of September was little changed at L2,415bn.

Fiat lost L67 to L4,535 as it denied rumours of a sale or reorganisation at its biomedical subsidiary Sorin and its majority-held chemicals and fibres company Snia.

OSLO advanced to a fourth straight record high helped by strong gains in a number of small-cap stocks. The all-share index finished 1.89 higher at 694.28.

Kvaerner, the engineering group, dipped NKr4 to NKr246 in further response to Monday's weaker than expected earnings.

ISTANBUL continued to pull back after Monday's all-time closing high and the IMKB index, down 1.1 per cent on Tuesday, fell another 1,507.99, or 1.8 per cent, to 82,215.01.

Analysts noted that the market had failed in three attempts to pierce the 85,000-point barrier.

The index last tested that level on Monday. It had drifted lower in a week-long limited pull-back after a first attempt on October 31, following a 29.3 per cent rally and 10 record closes in a medium-term uptrend from September 13 to October 23.

Written and edited by Michael Morgan and Jeffrey Brown

FTSE Actuaries Share Indices

Nov 13 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	1798.64	1799.48	1800.18	1799.84	1800.39	1799.56	1799.92	1799.38
FTSE Eurotrack 200	1842.55	1844.94	1844.06	1843.57	1843.56	1844.27	1842.29	1843.48

	Nov 12	Nov 11	Nov 8	Nov 7	Nov 6
FTSE Eurotrack 100	1793.69	1786.58	1787.83	1778.72	1773.56
FTSE Eurotrack 200	1839.81	1828.07	1833.14	1824.37	1826.36

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S Africa lower despite solid golds

In spite of solid results from South African Breweries and another resilient showing from gold shares, Johannesburg moved lower with the overall index dipping 7.3 to 6,755.3. Early gains for shares evaporated around mid-morning. At the close, the industrial index was off 16.1 at 7,914.1. Gold shares added 10.3 to 1,711.9.

SA Breweries nine-month numbers were ahead of analysts' estimates, but at the close the shares were off 50 cents at R115.25. Highveld Steel, hit by strike worries, fell R70 to R1750. In golds, the up-trend was not uniform.

Kloof put on R1.25 to R43, but Loraine came off 30 cents to R14.70.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms November 8 1996	% Change over week	% Change on Dec '95	Local currency terms November 8 1996	% Change over week	% Change on Dec '95
Latin America	(248)	528.76	+0.5	+6.8			
Argentina	(31)	890.18	+0.9	+7.4	527,789.77	+0.9	+7.4
Brazil	(58)	374.68	-1.6	+22.7	1,443.30	-1.4	+30.0
Chile	(45)	686.22	-1.5	-8.3	1,151.80	-1.8	-5.8
Colombia[1]	(14)	645.99	-0.7	+8.0	1,143.63	-0.6	+9.0
Mexico	(64)	522.81	+3.5	+15.4	1,782.57	+2.9	+18.4
Peru[2]	(19)	207.39	0.0	+5.2	329.58	+0.9	+18.7
Venezuela[3]	(8)	667.93	-1.1	+95.8	7,133.50	-1.1	+173.3
Asia	(712)	251.50	-1.8	+8.3			
China[4]	(27)	56.93	-3.3	+5.2	59.65	-3.1	+5.0
South Korea[5]	(157)	89.79	-2.6	-28.7	97.81	-2.2	-23.8
Philippines	(42)	291.13	+4.6	+12.2	368.59	+4.6	+12.4
Taiwan, China[6]	(90)	146.30	+1.5	+29.7	151.13	+1.6	+30.8
India[7]	(76)	78.65	-2.8	-2.1	100.30	-2.1	-0.1
Indonesia[8]	(49)	123.80	+6.1	+12.9	156.96	+6.3	+15.2
Malaysia	(148)	326.48	+0.3	+20.4	303.50	+0.8	+19.6
Pakistan[9]	(28)	226.44	+5.2	-6.7	413.65	+5.2	+9.7
Sri Lanka[10]	(5)	98.52	+0.9	-5.0	323.03	+0.9	+1.8
Thailand	(87)	270.77	+8.9	-28.0	279.78	+8.7	-27.2
Euro/Mid East	(264)	133.95	-2.1	-5.4			
Czech Rep	(7)	63.40	-1.0	+5.6	56.99	-1.3	+6.3
Greece	(54)	248.57	-2.1	+2.9	400.59	-2.2	+3.5
Hungary[11]	(12)	177.04	-1.5	+77.1	326.16	-1.6	+101.6
Jordan	(7)	182.35	+-0.1	-1.3	272.44	-0.1	-1.2
Poland[12]	(30)	721.52	+3.2	+69.2	1,275.52	+2.9	+92.7
Portugal	(28)	139.10	+2.6	+20.2	145.67	+2.0	+22.5
South Africa[13]	(63)	211.93	-3.5	-17.9	206.06	-3.1	+6.1
Turkey[14]	(58)	143.93	+0.1	+37.7	6,662.51	+1.5	+122.5
Zimbabwe[15]	(5)	429.43	-3.7	+56.3	674.31	-2.9	+78.8
Composite	(1225)	292.49	+0.5	+6.3			

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are: (1)Feb 1 1991; (2)Dec 31 1992; (3)Jan 5 1990; (4)Dec 31 1992; (5)Jan 3 1992; (6)Jan 4 1991; (7)Nov 6 1992; (8)Sep 28 1990; (9)Mar 1 1991, (10) Dec 31 1992; (11)Dec 31 1993, (12)Dec 31 1992; (13)Dec 31 1992; (14)Dec 31 1992; (15)Aug 2 1993; (16) July 2 1993.

Trading resumed yesterday in Athens after a three-day stoppage, but shock waves still echoed from the failure of the broking group, Delta Securities, *writes Kerin Hope.*

Only 30 of Greece's 65 brokerages were allowed to return to the floor following a ruling by the bourse watchdog that brokers had to settle outstanding accounts with the clearing house before they could restart trading.

Volume was thin at around Dr603m with most blue chips moving lower. Only a few construction stocks showed gains as brokers closed out positions ahead of today's deadline for completing settlement. The general index ended off 12.39 at 908.42.

Bourse regulation is being tightened, but analysts agree that it will take time to attract international investors back to Greece. One analyst said that since Greece had underperformed the rest of Europe this year and was seen to be heading for a more settled political climate after the general election "interest had been steadily rising, but last week's scandal has scared off the institutions".

The Athens market is no stranger to scandal. This year it has been buffeted by allegations ranging from insider trading in construction companies bidding for EU-financed infrastructure contracts to the collapse of a textiles and food group controlled by a senior Greek shipowner.

Mr Yannis Tegopoulos of Midland-Pantelakis Securities predicts a flight to quality. Retail investors will steer clear of small capitalisation stocks and are likely to channel their trading through bigger brokerage houses, he says.

Nikkei weak as Bangkok jumps 2.7%

ASIA PACIFIC

Signs of revived buying interest among foreign investors failed to lift **TOKYO**, which dipped below the 21,000-point line for the first time in a week on profit-taking, particularly in semiconductor-related issues, *writes Gwen Robinson.*

The Nikkei 225 average tumbled 226.99 to 20,979.44 after moving between 20,923.24 and 21,229.39. Gains early in the day were cancelled out by heavy selling, particularly among securities houses which unloaded long positions in cash stocks built up during the previous day's rebound.

Traders noted hesitancy among investors ahead of a US Federal Reserve Board meeting later in the day, amid expectations that the Fed would adhere to its current monetary policy.

The Topix index of all first-section stocks shed 8.97 to 1,567.78 and the capital-weighted Nikkei 300 fell 1.76 to 294.14. Volume swelled to an estimated 314m shares from Tuesday's 278m. Declines led advances 739 to 302, with 184 issues unchanged.

In London, the ISE/Nikkei 50 index rose 1.54 to 1,437.40.

Semiconductor-related issues reversed their previous day's gains as investors took profits. Hitachi fell Y20 to Y1,020, Toshiba Y10 to Y733 and Matsushita Electric Industrial Y10 to Y1,870.

Other blue chip electricals were mainly flat, with the exception of Sony which lost Y20 to Y6,900.

Bank issues lost ground led by Nippon Credit Bank. It fell Y4 to Y329 following reports that it would guarantee repayment by its affiliated non-bank finance company of Y240bn in loans from financial institutions affiliated with agricultural cooperatives.

Industrial Bank of Japan slid Y10 to Y2,280, Fuji Bank Y20 to Y2,040 and Mitsubishi Trust and Banking Y20 to Y1,740. Mitsubishi Oil stayed under heavy selling pressure losing Y7 to Y795 on concerns over its involvement in an unfolding drama involving an Osaka-based oil wholesaler who is under arrest for suspected tax evasion.

In Osaka, the OSE average shed 79.99 to 21,589.35 in volume of 18.85m shares.

BANGKOK closed sharply higher following a rally late in the session. The SET index finished up 25.83, or 2.7 per cent, at 979.51 in turnover of worth Bt5bn.

"People are positioning themselves in front of Sunday's general election. The market is coming to the conclusion that it doesn't matter who wins as long as a credible economic team is put in place," said one broker.

Dealers reported strong buying out of Hong Kong and Singapore where the accent had been on communications stocks, notably TelecomAsia which gained Bt5 to Bt62.50.

HONG KONG was carried to a second consecutive record close by a surge in property stocks, eagerly sought by investors encouraged by the outlook for interest rates and the property market.

The Hang Seng index closed 137.38 higher at 12,943.69, off an intraday peak at 12,961.85, in turnover that picked up to HK$7.8bn.

SEOUL saw profit-taking overwhelm bargain hunting and the composite index finished 5.22 lower at 747.32 after a day of wide fluctuations. Samsung Electronics, which rose sharply on Tuesday on the improved US semiconductor book-to-bill ratio, lost Won1,700 to Won65,200.

COLOMBO closed lower for the first time in two weeks as investors took profits in selected stocks. The all-share index, which has risen steadily from 597.50 on October 28, closed 0.97 lower at 629.53.

WELLINGTON closed higher with NZ Telecom active ahead of today's interim results. The 40 capital index ended up 17.14 at 2,342.94. Telecom put on 9 cents to NZ$7.62.

KARACHI surged above the 1,500 level as IMF officials arrived in Pakistan for talks on reactivating a $600m standby loan. The 100-share index jumped 22.63 to 20,979.44.

BOMBAY jumped 1.5 per cent as short-covering by domestic and foreign funds kept most blue chips in positive territory.

The BSE-30 index rose 45.80 to 3,126.06 as ITC gained Rs12.50 or 4.9 per cent, to Rs264.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	TUESDAY NOVEMBER 12 1996: US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY NOVEMBER 11 1996: US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX: 52 week High	52 week Low	Year ago (approx)
Australia (78)	210.46	-0.7	189.49	148.12	164.03	177.75	-0.7	4.28	211.84	190.77	148.96	165.09	179.00	216.14	179.98	182.11
Austria (24)	183.29	-0.1	165.03	128.99	142.85	142.77	-0.1	1.97	183.41	165.16	128.96	142.93	142.85	195.04	166.36	170.75
Belgium (27)	225.48	0.4	203.01	158.68	175.73	171.76	0.3	3.88	224.66	202.31	157.98	175.08	171.17	225.48	193.77	195.36
Brazil (28)	179.13	-1.0	161.28	126.06	139.61	340.17	-0.8	1.80	180.92	162.92	127.22	140.99	342.91	189.70	123.97	129.82
Canada (110)	190.53	-0.1	171.55	134.09	148.49	184.16	0.0	1.96	190.63	171.67	134.05	148.56	184.13	190.63	143.76	144.94
Denmark (30)	336.86	0.2	303.30	237.07	262.53	263.99	0.2	1.74	336.02	302.59	236.28	261.86	263.56	336.86	276.89	280.46
Finland (24)	225.45	0.1	202.98	158.66	175.70	214.02	0.1	2.35	225.17	202.77	158.33	175.48	213.82	225.45	171.73	224.74
France (93)	211.40	1.0	190.34	148.77	164.76	168.18	0.9	2.89	209.40	188.57	147.24	163.18	166.61	211.40	167.70	177.49
Germany (58)	185.93	0.1	167.40	130.85	144.90	144.90	0.1	1.73	185.71	167.24	130.58	144.73	144.73	185.93	158.00	156.64
Hong Kong (58)	478.19	0.3	430.55	336.53	372.69	474.66	0.3	3.25	476.50	429.10	335.06	371.34	473.05	478.19	354.67	361.25
Indonesia (27)	214.81	-0.6	193.41	151.18	167.42	307.95	-0.5	1.63	216.20	194.69	152.02	168.49	309.60	–	–	–
Ireland (16)	317.83	-0.4	286.17	223.68	247.71	271.08	-0.3	3.32	318.97	287.24	224.29	248.57	271.96	319.32	247.16	249.33
Italy (58)	80.88	2.5	72.82	56.92	63.03	91.32	2.5	2.27	78.87	71.03	55.46	61.47	89.08	84.53	67.22	68.75
Japan (480)	143.22	0.2	128.95	100.79	111.62	100.79	0.3	0.76	142.97	128.75	100.53	111.42	100.53	164.68	137.62	143.00
Malaysia (107)	583.21	0.2	525.10	410.44	454.53	566.50	0.4	1.10	581.92	524.03	409.18	453.49	564.35	587.74	425.77	433.87
Mexico (27)	1218.10	-0.2	1096.74	857.25	949.34	10541.90	0.1	1.24	1220.27	1098.88	858.05	950.97	10538.02	1328.65	791.99	858.57
Netherland (19)	317.93	0.0	286.26	223.75	247.78	243.97	0.0	3.03	317.85	286.23	223.50	247.71	243.94	317.93	254.68	256.08
New Zealand (15)	91.46	-0.4	82.35	64.36	71.28	68.49	-0.4	4.01	91.83	82.69	64.57	71.56	68.75	94.36	75.94	81.35
Norway (35)	275.53	0.1	248.08	193.91	214.74	235.68	0.1	2.15	275.19	247.81	193.50	214.46	235.43	275.53	222.24	226.45
Philippines (22)	193.55	-0.4	174.27	136.21	150.84	253.44	-0.4	0.63	194.35	175.02	136.66	151.46	254.49	–	–	–
Singapore (43)	399.63	1.3	359.82	281.24	311.46	257.90	1.5	1.05	394.35	355.12	277.29	307.32	254.15	465.21	361.94	364.69
South Africa (44)	324.55	1.1	292.21	228.40	252.94	331.66	0.7	2.33	321.01	289.08	225.72	250.17	329.45	437.76	314.20	375.77
Spain (37)	195.07	0.7	175.64	137.28	152.03	186.71	0.8	3.20	193.66	174.40	136.18	150.92	185.24	195.07	148.39	148.81
Sweden (48)	394.87	0.5	355.53	277.89	307.74	386.71	0.8	2.20	393.04	353.94	276.37	306.30	383.60	400.14	294.19	304.98
Switzerland (37)	247.60	0.0	222.94	174.25	192.97	193.49	0.0	1.53	247.68	223.04	174.16	193.02	193.57	254.34	219.29	225.01
Thailand (45)	121.09	0.0	109.02	85.22	94.37	119.47	0.0	2.87	121.05	109.01	85.12	94.34	119.44	193.95	112.17	149.09
United Kingdom (213)	260.96	0.5	234.96	183.65	203.38	234.98	0.5	4.03	259.73	233.89	182.63	202.41	233.89	261.17	222.28	223.83
USA (624)	296.77	-0.3	267.20	208.85	231.29	296.77	-0.3	2.01	297.62	268.01	209.27	231.93	297.62	297.62	241.36	242.53
Americas (795)	271.75	-0.3	244.68	191.25	211.79	228.37	-0.3	2.00	272.51	245.40	191.62	212.37	228.99	272.51	219.58	220.82
Europe (719)	228.56	0.5	205.79	160.85	178.13	194.05	0.5	2.97	227.46	204.83	159.94	177.26	193.10	228.56	193.02	194.06
Nordic (137)	339.70	0.3	305.86	239.07	264.75	290.73	0.5	2.15	338.52	304.85	238.04	263.81	289.28	339.70	261.13	277.37
Pacific Basin (876)	159.32	0.1	143.44	112.12	124.17	113.75	0.2	1.23	159.08	143.25	111.86	123.97	113.49	177.01	150.59	152.72
Euro-Pacific (1595)	188.05	0.3	169.31	132.34	146.56	144.01	0.4	2.11	187.45	168.80	131.81	146.08	143.50	190.57	168.34	169.95
North America (740)	290.48	-0.3	261.54	204.43	226.39	289.39	-0.3	2.01	291.27	262.30	204.81	226.99	290.18	291.27	235.37	236.50
Europe Ex. UK (506)	205.95	0.5	185.43	144.94	160.51	169.20	0.5	2.37	204.95	184.56	144.11	159.72	168.35	205.95	173.04	173.83
Pacific Ex. Japan (396)	301.63	0.1	271.58	212.27	235.08	260.63	0.1	2.84	301.38	271.40	211.92	234.87	260.34	301.63	245.59	246.06
World Ex. US (1810)	190.09	0.3	171.15	133.78	148.15	149.32	0.3	2.10	189.52	170.67	133.26	147.69	148.82	191.55	169.39	170.86
World Ex. UK (2221)	219.94	-0.0	198.02	154.78	171.41	187.26	0.0	1.85	219.94	198.06	154.65	171.40	187.22	219.94	188.74	189.87
World Ex. Japan (1954)	266.08	0.0	239.57	187.26	207.37	249.59	0.0	2.39	266.05	239.58	187.08	207.34	249.56	266.08	219.88	220.64
The World Index (2434)	223.48	0.0	201.22	157.28	174.17	191.68	0.1	2.06	223.39	201.16	157.07	174.08	191.58	223.48	191.78	192.84

CONSTITUENT CHANGE WITH EFFECT 19/11/96: Addition: Deutsche Telekom (Large Cap) (Germany) (Share weighting: 22.8%). Latest prices were unavailable for this edition.